



# Setting Public Policy

August 2013

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### **About this publication**

Setting public policy

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Chapter 1: Federal Opposition Leader John Hewson at a rally where supporters hold up posters on Fightback and the GST in Brisbane, March 11, 1993. Newspix/Michael Jones.

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### **About CEDA**

CEDA – the Committee for Economic Development of Australia – is a national, independent, member-based organisation providing thought leadership and policy perspectives on the economic and social issues affecting Australia.

We achieve this through a rigorous and evidence-based research agenda, and forums and events that deliver lively debate and critical perspectives.

CEDA's expanding membership includes more than 600 of Australia's leading businesses and organisations, and leaders from a wide cross-section of industries and academia. It allows us to reach major decision makers across the private and public sectors.

CEDA is an independent not-for-profit organisation, founded in 1960 by leading Australian economist Sir Douglas Copland. Our funding comes from membership fees, events and sponsorship.

### **CEDA – the Committee for Economic Development of Australia**

Level 13, 440 Collins Street

Melbourne 3000 Australia

Telephone: +61 3 9662 3544












Fax: +61 3 9663 7271

Email: [info@ceda.com.au](mailto:info@ceda.com.au)

Web: [ceda.com.au](http://ceda.com.au)



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# Foreword



With the Federal election looming, now is the perfect time to be examining what is needed from our political leaders in the next term of government to deliver the long term vision and reforms Australia needs to ensure its economic prosperity for future generations.

CEDA has undertaken this research report because whoever leads Australia following the Federal election, it is vital that there is a commitment and return to long term reform of the type Australia has enjoyed under past leaders and that significantly contributed to our robust economy and society today.

Australia has the economic fundamentals to underpin continued economic expansion for another decade or more, but for this to be achieved first and foremost we need strong leaders prepared to make the tough decisions and lead rather than be caught up in the 24 hour media cycle and headline politics.

It is often said that 20-20 hindsight is perfect vision and in this publication CEDA has sought to adopt a retrospective view of how significant reforms were undertaken by past governments at Federal and State level, and to extrapolate what were the key features that underpinned their success.

The first two chapters, by Geoff Allen AM and Michael Stutchbury, and Professor Greg Smith, examine styles of leadership and reform models.

They highlight that there is not one leadership style or model that provides a silver bullet for success in implementing reform, but key areas identified to improve the chances of success include having a strong long term vision, engaging experts, setting down strong foundations, and building support before implementing that vision.

The third chapter provides a good example of where Australia, with the right policies, could leverage significant economic growth through the expansion and export of agricultural goods from northern Australia to our Asian neighbours.

Significantly, to highlight many of the successful reforms pursued by Australia's leaders in the past, this publication also includes excerpts of interviews conducted with former prime ministers, the Hon. Bob Hawke AC GCL and the Hon. John Howard OM AC SSI; former state premiers, the Hon. Nick Greiner AC, the Hon. Jeff Kennett AC and the Hon. Steve Bracks AC; and some of our country's former most senior public servants, Dr Allan Hawke AC, Dr Ken Henry AC and Terry Moran AC.

CEDA is extremely grateful and privileged to have the support for this publication from people of this calibre through these candid interviews.

All these leaders have driven significant reform agendas, as politicians or heads of government departments, and these pieces provide insight into their personal experiences in shaping reform. In addition they also provide insight into what is missing in the current debate.

I would like to thank the contributing authors and interviewees for their time and contribution to this piece. I hope current and future leaders find this a valuable and insightful publication.



**Professor the Hon. Stephen Martin**  
Chief Executive  
CEDA

# CEDA Overview: Setting public policy

Professor the Hon.  
Stephen Martin,  
Chief Executive, CEDA

Nathan Taylor,  
Chief Economist, CEDA

Australia's two-decade economic expansion has not been simply a function of chance or benefiting from the nation's rich natural endowments. This historic growth period has occurred despite the Asian Financial Crisis; the Russian and Long Term Capital Management (LTCM) crises; the 2001 bursting of the technology bubble; the quintupling of oil prices; the global financial crisis and subsequent deep recession in advanced economies; and the ongoing European sovereign debt crisis. Success has been enabled by public policy settings that have encouraged flexibility, efficient resource allocation and innovation in the economy.

There is widespread belief among CEDA members that Australia's recent policy making has not been at a best practice standard. Some reasons that have been given for the presumed decline in quality of public policy debate and execution are:

- A heightened emphasis within governments on opinion polls and responding to perceived popular opinion;
- Changes in the media landscape and its influence on public information; and
- Issues in the relationship between the public service and politicians.

While these issues have not stopped important policy development, such as the Henry Tax Review or the white paper on Australia in the Asian Century, many of the reforms put forward have been considered too difficult or politically unpalatable for government to pursue. The major exception is the National Disability Insurance Scheme, now DisabilityCare Australia. However, despite wide community and bipartisan political support for the initiative, contentious issues associated with its ongoing funding have proven intractable.

It is vital that Australia rediscovers its ability to clearly identify and implement challenging economic reforms. As the stimulus from the mining boom fades, Australia's prosperity will become increasingly subject to the pressures of the international marketplace. This will occur in an environment of heightened human and financial capital mobility and fast paced technological advances that can rapidly undermine sources of traditional comparative advantage. Whether recent economic success fades into memory or continues will be substantially determined by the quality of policy implemented by government.

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## Contributions and interviewees

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In a democracy you get the quality of government you deserve (or vote for) not what you might (subsequently) desire.

To illustrate what the essence of good policy making should reflect and processes involved, CEDA has sought to distil the experience of successful politicians and public servants and examined the characteristics of political models that have introduced meaningful economic reforms. A case study of northern Australia explores the opportunities and challenges that Australia must confront to continue to prosper.



In **Politics and leadership styles**, Geoff Allen AM, CEDA's National Chairman, and Michael Stutchbury, Editor-in-chief of the Australian Financial Review, examine a range of political leadership models that have been associated with successfully introducing economic reform in Australia. They reflect on the characteristics of different political leadership styles, such as consensus, leadership and advocacy and the circumstances in which they are most suitable.

In **Economic policy reform as successful change leadership**, Greg Smith, Adjunct Professor Australian Catholic University, Chairman of the Commonwealth Grants Commission and Senior Fellow Melbourne Law School, discusses the similarities between economic reform and the organisational change management process. He focuses on the stages of creating urgency, forming a powerful coalition, creating a vision for change and communicating that vision. Smith articulates how the growing complexity of reforms has made establishing an effective change leadership framework itself an urgent requirement.

In **Challenges for northern Australia**, David Farley, former Managing Director and Chief Executive Officer of the Australian Agricultural Company, describes the reform efforts required to capitalise on growing international demand for food. He notes that demographic and economic growth could potentially deliver a significant shift in the agricultural terms of trade, providing a significant stimulus for Australia. However, without a concerted effort to address structural challenges through appropriate policy initiatives, Australia will fail to achieve its potential as a food bowl to Asia.

To complement these contributions, a number of reformist former politicians and public servants were interviewed for this publication. Contributions included are from former prime ministers the Hon. Bob Hawke AC GCL and the Hon. John Howard OM AC SSI; former premiers the Hon. Nick Greiner AC (NSW), the Hon. Jeff Kennett AC (Victoria) and the Hon. Steve Bracks AC (Victoria). Senior former public servants interviewed were Dr Ken Henry AC, Terry Moran AC, and Dr Allan Hawke AC.

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## Model leadership

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Past successful economic reform in Australia has been aided substantially by strong political leadership. While the changing media landscape – social media, 24/7 news cycles and the like – is making it more difficult to develop and promote a reform agenda, current failings in the public policy debate are increasingly attributable to the failure of individual political skills that inhibit true leadership.

What are the characteristics of leadership that most influence economic reform?

Bob Hawke described the failure on both sides of politics to lead rather than to follow public opinion as a major character flaw in modern Australian politics.

*"I think there is an increasing tendency to, if not be governed, certainly to be influenced in approaches by opinion polls. And I find this basically repugnant because*

*leadership is about leading, not following, and that doesn't mean you don't listen to what's being said, but I think leaders have a responsibility to shape public understanding."*

Hawke's view was broadly shared by the senior public servants interviewed. Ken Henry described how the best leaders he had worked with liked to be just in front of where they believed public opinion could be moved.

*"The principal role is, though, for the leader to identify where the challenges are for the country, to articulate a strategic approach to addressing those challenges, and to put that to the public, and to convince the public that that is indeed the way that the country should move, rather than simply sit back and attend to issues on a day to day basis...So, a leader who is preoccupied with following public opinion is, of course, not really going to offer any leadership at all."*

The views on leadership expressed in the contributions and interviews in this report are very different from the 'great man theory' of history.<sup>1</sup> As Geoff Allen and Michael Stutchbury describe, while successful reformist leaders have had common characteristics, a key element of successful leadership was identified as having a very strong set of cohesive values or an overriding philosophy that determines the overall direction that they want to take the state or nation. In contrast, politicians focused simply on winning and retaining power fail to achieve the consistency required to introduce and successfully prosecute meaningful economic reforms.

John Howard reflected on the tension between values and political advantage.

*"In politics, you need to be in government to implement things. The phrase I used often is 'it is better to be 80 per cent pure in government than 125 per cent pure in opposition'."*

*"I used 80 per cent very deliberately. You had to maintain the central features of good policy. You have to compromise at the edges to get it through."*

*"There's a tension between values and ideology on the one hand, and political advantage on the other. It's always been there and the successful government achieves both."*

Another characteristic of successful leadership is the requirement for careful preparation by government for introducing reforms. Even when major changes are introduced in a short period of time, such as the case of Roger Douglas in New Zealand (the famous Rogernomics) or Jeff Kennett in Victoria, they occurred due to careful and detailed policy work. Jeff Kennett described this process:

*"From when I was elevated to the leadership in '82, we kept reviewing our policies. Every time we lost an election we kept refreshing those policies. The situation kept getting worse economically, so we knew well before the election we had a chance of winning finally in '92."*

*"I think the public needs to know where you want to end up."*

This approach contrasts with “policies introduced as thought bubbles on the run, to give the impression of activism or to resolve a short term political problem”.<sup>2</sup>

A further requirement for effective leadership involves meaningful communication and consultation, although stakeholder significance can differ according to the view of the individual leader. What is critical is that, as noted by Terry Moran, the art of governing is successfully practiced.

*“It comes from political leaders who know what they’re doing. Australia’s actually had a number of really effective political leaders in the last 20 years, both at a national level and in a number of the states. They all did it differently and they all did it towards different ends, in a sense. But they all knew the art of governing, which is partly about what public policy is, how you develop it and how you make it work. But it’s also partly about how you lead in the context of community and media understanding, set direction for the government and how you make it all come together to deliver results on the day. That’s the art of governing.”*

It can be concluded that while the specifics may vary, convictions, internal and external engagement, good internal process management and effective communication skills are prerequisites for model leadership in Australia.

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## Effective reform management

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The economic reforms that Australia will need to introduce to sustain its economic fundamentals in a global environment will involve major change, transforming or even replacing existing ways of doing things and finding completely new solutions to old problems. Anything less will not position the country to optimise its prosperity in the highly competitive global economy. This will require both effective leadership and an understanding of how to introduce reforms in Australia’s complex social democracy.

Nick Greiner observed that while there were substantial differences between introducing change in a corporate environment and in the public policy context it does provide a more scientific approach to examining successful economic reforms. Historically, the discussion of successful reform initiatives often focuses on one or two key points or moments and often fails to appreciate the considerable work that is involved in introducing and prosecuting reforms.

Greg Smith has outlined the key stages that are vital for governments to manage if a reform is to be successfully introduced and to survive. They include:

- *Creating a sense of urgency* about the need to introduce the change. This includes developing the internal political will to introduce and support reform as well as the broad-based community acknowledgement of the need to change. As an example, Bob Hawke credited the Economic Summit as a successful mechanism for developing widespread community understanding of Australia’s need for change;

- *Forming a coalition* of interests that support the change. This was noted by a number of interviewees as being the critical ingredient of almost all successful reforms. For instance, John Howard acknowledged the support of the business community and the Australian Council of Social Services for a GST as beneficial in introducing the new tax system;
- *Develop the change vision*. This involves more than describing the outcomes of the reform but, as Nick Greiner states, involves describing why the reform is necessary. For instance, tax reform is important not just for the extra dollars it may provide to someone's pay-packet, but because it will help develop a dynamic and vibrant economy;
- *Communicating the change vision*. This involves establishing key narratives that link to a cohesive vision for Australia. Terry Moran describes this skill as one of the fundamental capabilities of a government and important for bringing people along with any change – something that is vital in a democracy like Australia;
- *Empower others to act*. Any change will result in winners and losers, with those that miss out often being easily identifiable and more vocal in their opposition than the beneficiaries of the change. Greg Smith identifies the critical bridging role the public service provides between political decision-making and the wider engagement in reforms by the community. For instance, the Tax Office made large capacity investments in systems and guidance provision to make sure the private sector could introduce the GST. After all, every economic reform is ultimately enacted by the private sector.

In the corporate environment, often critical steps in reform management are ignored or not thoroughly prosecuted. As a consequence, a large number of change management programs in the corporate sector have historically failed.<sup>3</sup> While understanding the change management process is helping improve the odds of success, the task is even more daunting for governments that lack the time and political resources to prosecute reforms over the same timeframes.

Geoff Allen and Michael Stutchbury note that a common characteristic of effective reformist politicians has been good internal process management to develop and prosecute proposals. This will either be through effective use of cabinet protocols, to get internal support for proposals or to test ideas, or through successfully marshalling of the professional capabilities of the public service. Introducing economic reforms in the future will require an effective reform management model, and an engaged public service, for it to be successful. This could be challenging given the changing nature of the relationship between the government and the public service.

According to Allan Hawke:

*“...the elephant in the room is the rise in the numbers and the influence of the private office compared to the public service over this period. Particular ministers have said from time to time, ‘we don’t need the department to generate policy ideas, we will do that ourselves’. The public service is simply there to implement and execute the decisions of the government of the day.”*

Terry Moran described the situation as:

*“Until the end of the Howard Government, a minister’s office would be a mixture of seconded senior public servants who knew about the business of government and also public policy, as well as experienced political and media advisors. In recent years we have come to accept, without comment, a system with hardly any senior public servants in ministerial offices. Thus ministers often lack, close at hand, compatible professional people with the background to help them deal with the business of government and public policy. This means a lot of the load has often fallen to people with no experience or insufficient experience of actually being in government, rather than handling media relations or managing stakeholders in a political sense. There have been a lot of miscalculations along the way.*

*“It’s not just a Canberra problem nor do these comments apply to all ministers. But the conventions and understandings about the role of ministerial advisors and how they should behave have decayed. Perhaps the consequence of all this is that governments will be destined to relatively short terms because they display gaps in the broad skills of governing.”*

This reflects a significant change from the relationship that successful reformist politicians were able to cultivate with the public service. While they may have had different approaches to achieving it, each politician who successfully prosecuted reforms stated that the Australian public service delivered highly professional assistance in executing, and also in helping develop, policy proposals.

A lack of engagement with the public service will effectively stifle any government’s ability to develop and prosecute reforms. According to Steve Bracks:

*“In government you had to replenish policy by using the apparatus of government to do it. The whole government is a tool available to do it. Now my view is that tool is often underutilised.*

*“I saw the longevity of our Government being dependent on using that apparatus of government to develop good policy. That is why effectively, I replaced the work we did in opposition with interest groups and stakeholders and the party apparatus with a structured approach (that involved formal processes for engaging the public service capabilities).”*

Jeff Kennett described his relationship within his party and with the public service as:

*“It was a lesson I learnt in my army days. You can have the best general on the field, but if he doesn’t have troops under him and they don’t have a good relationship and they don’t work together, you can’t win anything. So no one on their own wins. A premier doesn’t win alone, the leader of a football club, a player, a not-for-profit, no one on their own delivers – only teams deliver.”*

John Howard described the importance of leadership in forming these effective relationships as:

*“The relationship between the leader and the immediately led is very important in the political environment, as it is in a military environment. This idea that you can do*

*these things almost in isolation is nonsense. You have to take people immediately around you with you.*

*"You need, obviously, to have the support of the public, the professional public service. You shouldn't underestimate that. I don't believe in governments being run by the public service, but you can't run a government without the public service.*

*"And having a good relationship between the government of the day and the public service is very important."*

Without that relationship it is not possible to effectively introduce economic reforms. Terry Moran observed that:

*"Government is now so complex that no minister can have the technical ability or insight to, for instance, by themselves come up with a big tax reform package. These things are so complex that they need the professional advice of the public service."*

Bob Hawke recognised this when he observed that issues may have grown more complex, but knowledge has increased as well. Too effectively implement complex economic reforms requires a strong and professional relationship between the public service and politicians.

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## A changing media landscape

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Australia has a relatively good recent track record at addressing difficult economic issues and implementing tough reforms that set the basis for the current period of economic expansion. During the 1990s the main contribution to gross domestic income (GDI) per capita was productivity growth, which contributed 60 per cent of the total improvement experienced over the decade and was due to difficult reforms introduced earlier. However, during the 2000s the key driver of GDI per capita was capital accumulation, which added half of all improvement to GDI per capita. In contrast, productivity growth added just 3.5 per cent to GDI per capita.

A portion of Australia's decline in productivity growth is no doubt related to the significant upswing in investment in the resources sector. However, it does highlight the importance of addressing the fundamental economic challenges confronting Australia, including a return to the successful economic reforms that will drive future productivity improvements.

Australia is not suffering from a surfeit of reform opportunities. What seems to be lacking is the political will or skill to grapple with contested issues of economic reform. Nick Greiner observed that this situation is not unique to Australia but has strong parallels with all democracies with which Australia might compare itself.

While not a consensus view, the majority of politicians and public servants believed a change in the nature of the media, in particular its pervasiveness and capacity to harness opposition to proposals, was the major reason for the decline in the public debate. Nick Greiner described the media's influence as:

*“Everything’s more immediate, so you tend to get issues cut off. Because of the nature of the media cycle, the advice of media minders is, you’ve got to kill it immediately... So whether it’s a debate on nuclear power in Australia, or an airport, or any number of issues, like raising the GST. The normal media advice is, in Australia, don’t give it any oxygen, don’t encourage or allow a debate, just kill it, and that’s what tends to happen. And that’s driven by the fact that if you don’t kill it quickly, it can run away from you, both by the media cycle and by the social media world.”*

Ken Henry described another aspect of media that is detrimental to debating policy robustly as being:

*“Many of our politicians appear in front of the media several times a day. It’s very unlikely that they’re going to have had the time between interviews to develop well-constructed thoughts about issues, even the issues of the day. Where is the time that is left to them, to construct well developed thoughts about the issues of tomorrow, the longer term issues?”*

In part, the failure of some of the current political leaders is the ability to successfully utilise the media and adapt policy proposals to the changed media landscape. According to Steve Bracks, successful media management involves recognising that:

*“They need to learn that they do not have to respond to the constant media cycle. You do not have to be a commentator on every issue of the day. You can be out and commenting when you have something to say which is about the real policy direction you want to pursue or there is an announcement that you want to make.*

*“This is an evolving issue and I think the new generation of people will come in and work through this.”*

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## A suboptimal status quo

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A major challenge in undertaking economic reforms in Australia is the lack of a pressing need for change. Compared to many other countries, the situation in Australia is far from intolerable. Nick Greiner described the situation as:

*“The difficulty is that, in many cases, in a country like Australia, the status quo’s not unacceptable, it’s just not optimal. And I think that’s the fundamental problem, that our situation is not too bad. You could say it’s the lucky country syndrome.”*

These circumstances have helped create alleged reform fatigue. This is particularly true when issues are contested and beneficiaries are more difficult to identify than losers. Bob Hawke described the role of a leader not to just respond to external circumstances but to attempt to optimise the nation’s prosperity.

*“Leaders should be about analysing and understanding what the current situation is, understanding what are the changing factors within your own country and exogenously, which are going to affect the welfare of your country. And then understanding*

*those facts, it should be then about leading the people to understand the changes that are necessary to optimise your performance.”*

Consider the potential agricultural boom Australia may experience. Food demand projections suggest that accelerating Asian demand has the potential to grow Australia’s agricultural exports from \$10 billion to \$25 billion by 2050.<sup>4</sup> Australia will need to effectively double its production of almost every export food commodity and much of this supply will need to come from northern Australia where vast tracts of arable and grazing land are available within close proximity to Asian supply chains. However, as David Farley describes in **Challenges in northern Australia**, without substantive policy changes Australia’s agricultural sector will not take the step change required to meet such an expanded demand.

Feeding the growing middle classes of Asia is not just an economic opportunity for Australia. It also represents a means of the nation making a significant contribution to global food security and social stability. Climate change has the potential to undermine the global capacity to meet rising agricultural demand, while rapid increases in food prices have been found to cause a significant level of social upheaval. The recent Arab Spring, where regime change and associated violence is still ongoing in a number of countries, had a proximate cause in protests over the increasing cost of food.<sup>5</sup>

Unless Australia, and other food producing nations, increase production to meet rising Asian demand, the threat is that it will cause social upheaval as people in other parts of the world are forced into food poverty. Australia is one of the few countries with substantial amounts of potentially arable land available to be exploited.

The challenge is not that Australia will fail to benefit from the Asian driven agricultural boom. The nation’s globally competitive agricultural sector will certainly capitalise on any international stimulus presented by higher prices. However, a continuation of the status quo will not optimise Australia’s response to international conditions. The reforms and initiatives associated with enabling the agricultural sector to fully realise the opportunity represent second order changes and will only be achieved through model leadership and effective implementation of any proposed changes.

According to CEDA’s research, Australia has the economic fundamentals that provide a basis for its economic expansion to continue for another decade.<sup>6</sup> However, there are a range of significant issues that need to be addressed for this forecast to be achieved. CEDA is examining the required economic reforms in the major report *Australia Adjusting: Optimising national prosperity to 2025* to be released in November 2013.

While no direct crisis will prompt Australia to undertake the economic reforms necessary to achieve this optimistic forecast, it will take highly skilled political leaders who are able to communicate and convince the Australian public that it is in their self-interest for the economic reforms to take place. They will need to develop robust economic reforms and have effective reform management so that the changes Australia needs to adopt can be implemented.



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## Endnotes

- 1 Allen, G. and Stutchbury, M., Politics and leadership styles, CEDA Policy Perspective, August 2013, *Setting Public Policy*, p19.
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- 3 Kotter, John P: *1996 Leading Change*, Harvard Business School Press, Boston
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- 5 Lagi, M., Bertrand, K.Z., Yaneer, B, *The food crises and political instability in North Africa and the Middle East*, accessible from: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1910031](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1910031)
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# 1. Politics and leadership styles

Geoff Allen AM, and  
Michael Stutchbury

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This chapter explores the leadership styles of key reformist politicians and what contributed to their success and failures.

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**Geoff Allen** AM has been a Commonwealth Public Servant and senior political advisor. As Senior Research Fellow at the Melbourne Business School (MBS), subsequently as adjunct professor, he taught MBA and Executive programs for 30 years, and for 10 years was Deputy Chairman of MBS. He was co-founder and foundation CEO of the Business Council of Australia. He has chaired a number of

Commonwealth and state advisory bodies including the Trade Negotiations Advisory Group, the Australian Government's Trade Policy Advisory Council, and the Victorian Electricity Industry Reform Steering Committee. He was a Member of the Government's Foreign Affairs Council, Prime Minister's Community Business Partnership and has been Director of several public companies.

As Founder and a former Director of the Allen Consulting Group (now ACIL Allen Consulting), Geoff has advised major companies and government agencies at the highest level for over 20 years.

He is currently Chairman, Committee for Economic Development of Australia (CEDA); Chairman, Australian Statistics Advisory Council; Chairman, Centre for Corporate Public Affairs; and a Director with ACIL Allen Consulting.



**Michael Stutchbury** has been writing for and editing national Australian newspapers for three decades from Melbourne, Canberra, Sydney and Washington DC. He was industrial relations writer, economics writer, economics editor and Washington correspondent for The Australian Financial Review from 1983 to 1998. He then moved to The Australian, including as editor between 2001 and

2006 and then as its economics editor. He returned to the Financial Review in late 2011 as editor-in-chief.

#### Disclaimer

The perceptions of leaders and their leadership styles are the contestable opinions of the authors. However, they are based on claims and comments made by the subjects about themselves, discussions with their close contemporary colleagues, and the significant engagement of the authors with the issues and personalities over the 30 years under discussion.

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## Introduction

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This chapter looks at political leadership in a number of recent governments to explore the factors that facilitated successful reform, and conversely some that have not been conducive to long-run policy or political success. It is an attempt to draw out lessons that might be relevant for current and future leaders.

No political leader has a perfect set of attributes and the appropriateness of styles and personalities can vary with their circumstances. However, from the following exploration, common success factors appear to be:

- Underlying consistency in values and ideological framework;
- A strong sense of goals and desired policy outcomes;
- Courage, but exercised with political skill, in pursuit of those objectives;
- Avoidance of short term political gain at the expense of long-run policy achievement;
- Commitment to rigorous, evidence based policy analysis, and avoidance of ‘policy on the run’;
- Commitment to, and patience in, building internal and external understanding of proposed reforms;
- Professionalism in governance and policy development processes, including the effective use of the bureaucracy and disciplined functioning of the cabinet or shadow cabinet.

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## The role of leadership

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The ‘great man theory’ of history that attributes the overwhelming influence of individuals on major developments needs qualification.

As noted in the accompanying article by Greg Smith, shorthand perceptions of policy reform and its telling tends to ignore the build-up of evidence and demand for change, the role of supportive constituencies, and coalitions involved in its gestation and execution. He says: “Instead, the collective memory seems to hold one or two signature moments or individual performances, recalled repeatedly in shorthand accounts of events so popular in the media today (and perhaps popular with those individuals as well).”<sup>1</sup>

The ideas were formed and ground prepared for the big reforms in our recent past by research, reports and advocacy well before they were translated into policy.

Alf Ratigan and his Tariff Board were heavy lifters in a new consensus on protection, major tax reforms including the GST followed the Asprey Committee recommendations of the early 1970s, the financial sector and foreign exchange reforms implemented Campbell Committee recommendations to the previous regime and were promoted persistently by the Reserve Bank, the Business

Council of Australia's two year research program pointed the way to enterprise bargaining and much of Paul Keating's economic agenda was framed and encouraged by Treasury which had a very clear focus on what it wanted to achieve.

These in turn built on a climate of ideas emerging from a more policy engaged academia, think tanks and reflective journalism through the 1960s and 70s.

Nevertheless change normally requires political will and courage. Individuals and leadership groups are very significant to the way issues are framed, decisions are made and change is affected.

It is tempting to draw simple contrasts between consensus and crash through styles, between incremental and visionary approaches, or again between conviction politics and managerial leadership. However, these characteristics often coexist to varying degrees in the political leaders discussed below.

Visionary leadership has tended to be associated with the 'crash-through' styles of Jeff Kennett, Keating and New Zealand's Sir Roger Douglas. This was certainly the case with the Opposition Leader, John Hewson. They were in a greater hurry and laid less emphasis on building consensus and preparing the political ground than for example John Howard and certainly Bob Hawke.

However, big picture, visionary politicians seeking rapid and fundamental change do not have a monopoly on deep conviction about long term goals and aspirations, nor on success in achieving them.

We often associate crash-through leadership with the need to address a crisis. This is the case with Kennett and Douglas, and no doubt Keating's 'banana republic' statement was intended to engineer a sense of crisis to facilitate his change agenda. Hawke built on public concerns about industrial conflict and economic malaise, but consensus building and negotiated relations with major interests, particularly the Trade Unions, were more important preconditions for his reform achievements than a burning platform.

Nor was crisis essential to reforms that emerged after careful public engagement and the persistent values-driven approach of Howard. He achieved, for example, the consumption tax reform that was beyond the political reach of the previous government through pursuit of consensus between leading protagonists.

“...big picture, visionary politicians seeking rapid and fundamental change do not have a monopoly on deep conviction about long term goals and aspirations, nor on success in achieving them.”

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## Keating and the big picture

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While the way politicians portray themselves is not always sound evidence, Keating was a self-proclaimed visionary, a big picture man seeking radical change in a hurry, a view that has been widely shared in public opinion.

In a speech in 2008, he said: “I belong to the school which says that individuals cannot only make a difference, but with imagination, make all the difference.”

He also noted: “Politicians who are in the business of politics but not in the business of change let their communities down, and badly. The political game is about, and only about, getting changes through.”<sup>2</sup>

After an assessment of his contribution to Australian reform he told a business audience in 2011:

“As in everything, leadership is the key. Australia’s economic position dramatically improved with the adoption of a set of structural changes radically conceived and politically constructed. Conceived not by way of some bureaucratic master plan or process of increments, but by imagination and insight.”<sup>3</sup>

While there are claims and counter-claims about who was the driving force behind various economic reforms in the 1980s and early 1990s there is no doubt Keating’s big picture view of reform and his personal energy and creativity was a very significant factor, achieving more, and more quickly, than might have been likely with a more inclusive, consensual style.

As distinct from some big picture leaders discussed below, Keating was also an effective politician as well as committed reformer.

Major skills included energy and passion for his causes, and a great capacity to simplify and articulate his position on major issues. Both internally and externally he exhibited a highly persuasive gift for narrative to support his ideas and objectives. He routinely tested his policies by asking, ‘how does this fit with the story?’

He also had a knack of picking the right time to act. For example waiting until soon after the 1993 election when he had viciously attacked the industrial decentralisation policies of Hewson, he took advantage of the collaborative work with unions initially led by Hawke, to introduce a significant shift to enterprise bargaining.

This was just one example of the political pragmatism not always associated with reformist leaders. Another was his use of all the arguments against Hewson’s indirect taxes that he had defended against when espousing their benefits as Treasurer.

His highly individualist personality and style made him impatient of bureaucracy and due process. Cabinet colleagues accused him of inattention to, and being disrespectful of, cabinet protocols and of making announcements without what they considered to be appropriate internal discussion. While he had a close inner circle of his most trusted and respected colleagues, other ministers sometimes

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found him inaccessible. Cabinet colleague Neal Blewett in 1992 contrasted Keating with Hawke whose unique talents were a combination of “passion for bureaucracy and amazing populist appeal...Usually the bureaucratic politician lacks charisma and the charismatic is normally sloppy and accident-prone. Not so Hawke”. Keating, he said: “...has a real disdain for bureaucracy and bureaucratic processes.”<sup>4</sup>

However, there were times such as when the High Court’s Mabo decision required a government response, Keating acknowledged he did not have solutions and threw himself into an energetic round of stakeholder negotiations to build a workable response. His last term policies towards enterprise bargaining were developed consensually, at least with some colleagues and the ACTU leadership.

His strengths included energy and drive that came from strong belief in himself, his ‘story’ and his ‘true believers’. But some observers have noted that elements of these strengths limited his empathy, and engagement, with the electorate.

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## The Kennett reforms

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Victorian Premier, Jeff Kennett was another big picture leader associated with radical reform.

His effective leadership began before taking over government.

He inherited a parlous state economy and fiscal position and leveraged the perception of crisis hard both in opposition and government to maximise acceptance of his agenda.

This agenda was planned, and developed in detail within the parliamentary party and external private sector support before assuming office, enabling a relatively rapid implementation of his well-researched program. It included extensive cuts to government expenditure, rationalisation of government services, and the radical privatisation of government sector enterprises.

His demands on his ministers were relentless, brooking no compromises or equivocation but achieving a strong sense of cohesion and unity of purpose among them. Where he felt they were competent he gave them space to run their portfolios, but where he had less confidence in them they were thoroughly micromanaged. Colleagues report he was an efficient and effective manager of the cabinet process.

The demands he made on the bureaucracy were also relentless. He enhanced the public service with high calibre recruits, and his commitment to its excellence, followed by subsequent governments, changed its culture and helped build the Victorian public service’s reputation as a national leader.

However, of most significance was the single-minded objective he, and his Treasurer Alan Stockdale, brought to government – fixing the State’s economy through budget repair and micro economic reform. He was so conscious of the

value to effective government having an overarching purpose that, when much of the heavy fiscal lifting had been done, he set about seeking another overarching objective to unify and give purpose to his government.

As part of this process he asked his ministers to submit future reform ideas in writing to be done by them personally without staff or the public service. Some ministers saw this as a ministerial performance review process through essay competition.

Kennett was conscious of the need to explain to the public the net benefits of the demands he was making for radical change, for example the traffic benefits of tolling roads, but did not wait for public support to be forthcoming. Indeed, each individual aspect of his agenda caused disruption to the interests of some individuals or groups so that opposition seemed inevitable.

He rejected advice to pursue one reform at a time and only take incremental steps, and he stood strong and with great conviction when there were massive protests against the government's actions. Indeed Kennett felt that going fast on a multitude of fronts had tactical merit against oppositional interest groups, exploiting advantages of ambush, splitting opposition forces, and framing and fighting issues on his own ground.

While building and maintaining a strong internal consensus, his external reputation was one of divisiveness, making sustained reform more politically difficult.

Reasons given for his narrow election loss after eight years of government were not that his reforms themselves were unsuccessful. The party acknowledged that they underestimated the feeling of neglect in rural electorates where the election was won, and some blamed reform fatigue and the disruption caused to many individuals as a result of reforms. However, many commentators observed that it was because a degree of arrogance and hyperbole had crept in through his undoubted successes, particularly late in his term of office.

“Kennett was conscious of the need to explain to the public the net benefits of the demands he was making for radical change, for example the traffic benefits of tolling roads, but did not wait for public support to be forthcoming.”

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## Douglas across the ditch

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It is useful to explore the approach of two other big picture politicians in a hurry for reform – New Zealand Finance Minister Douglas, and Coalition Opposition Leader John Hewson – to see what lessons can be learned.

Douglas and a small group of reformist ministers are credited with turning the fortunes of New Zealand around in the 1980s. His was a copy-book program of rationalist policies that, while urgently needed, led to a public reaction that sent his party into oblivion for 10 years and caused a shift in the nature of government that was to make future reform very difficult.



Douglas' maiden speech had supported New Zealand's stifling price controls and industry protection, but no doubt goaded by economic circumstances and with quality advisors, he morphed into a free market crusader.

After taking on and winning just enough support in his Labor Party caucus in the mid-1980s he somewhat audaciously launched on an unsuspecting public a large integrated package of reforms, prepared by an inner group, but not revealed in opposition. It included a new tax system involving a consumption tax, radical reductions in protection policies, financial deregulation and public sector reform through rapid privatisation of state owned enterprises.

Apart from a burning platform, Douglas also had the huge advantage of the government having the majority in a single house of parliament and no federal system of diffused power. As with Keating and Hawke, the reforms were consistent with the ideas of the increasingly conservative party opposition and a number received bipartisan support.

In post-hoc reflections on leadership and the reform process, Douglas noted lessons that emerged from the way he went about pursuing reform.

In the forward to a book he wrote at the time, his close ministerial colleague Richard Prebble, recalls the approach taken.

“Douglas' maiden speech had supported New Zealand's stifling price controls and industry protection, but no doubt goaded by economic circumstances and with quality advisors, he morphed into a free market crusader.”

Prebble said: “We ask ourselves ‘What is the problem? Let us ignore the politics’. And again we ask ourselves ‘What is the best solution?’ Then we set about trying to sell the solutions without in any way compromising.”<sup>5</sup>

This reflects one of Douglas' reform injunctions: “If a solution makes sense in the medium term, go for it without qualification or hesitation. Nothing else delivers a result that will truly satisfy the public.”<sup>6</sup>

Douglas acknowledged the value of consensus support and convincing the public of the merit of his policies (‘Let the dog see the rabbit’). He says it requires selling the benefits of reform to overcome its costs, and ensure cooperation, but if, as is usually necessary, this can be post hoc:

“Consensus among interest groups on quality decisions rarely, if ever, arises before they are made and implemented. It develops after they are taken, as decisions deliver satisfactory results to the public.”<sup>7</sup>

He says governments need to have the courage to take the tough decisions and be judged later on the results. In particular, he sees this as necessary to ambush vested interests by a range of tactics, including speed of action and creation of the fait accompli, to counter their “mobilising quite powerful opposition against reform”.<sup>8</sup>

As with Kennett, Douglas rejected the cautious advice to go one step at a time. Packaging reforms and moving towards them in quantum leaps enables the benefits of one part of the package for some, to be better balanced with costs.

“The fire of opponents is much less accurate if they have to shoot at a moving target.....Before you remove the privileges of a protected sector, it will tend to see change as a threat which has to be opposed at all costs. After you remove its privileges and make plain that the clock cannot be turned back, the group starts to focus on removing the privileges of other groups that still hold up its own costs.”<sup>9</sup>

While experts agree the thrust of the Douglas reforms was necessary, the political fall-out does not seem to support the optimism of the assertion that good policy is always, good politics. Over time, it is shown to be a necessary but not sufficient condition. The Party won the subsequent election in 1987 but with a significant loss of seats and lost the 1990 election badly, before it went into oblivion for a decade. Differences in the party on these issues led to the splitting off of a radical reform group led by Douglas – The Association of Consumers and Taxpayers – and what was to become the left wing Alliance Party.

Douglas has spent his subsequent years bewailing his “unfinished business”.

He wrongly attributes his party’s electoral demise in 1990, not to a negative public reaction to reform, but his prime minister’s political nervousness and renegeing on further radical changes to the tax structure. These changes included moving to a flat tax, which in fact went too far for most party colleagues, let alone the electorate.

More seriously, the public reaction to what was regarded as high-handed break-through radical change led to the introduction and maintenance of an entirely new electoral system through referenda (Mixed Member Proportional voting – MMP). This bestows power on smaller parties, leading to continuous minority governments. While after 25 years there are current successes in economic reform, this has made challenging reform more difficult, where no one party can govern in its own right.

Douglas’ clear vision, careful technical preparation and efficiency in execution achieved a great deal in a short time. The political fallout of radical change without semblance of popular mandate may well have been worth the achievement, but the question is whether a more empathetic execution based on a greater attention to building internal and external support could have enabled the reforms in a manner that made ongoing reform progress more possible.

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## Hewson’s Fightback

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John Hewson’s approach to the 1993 Australian election was an example of crash through politics to achieve the leader’s vision.

The policy package he brought to the election was a detailed free market economic manifesto called Fightback, which proposed a series of market oriented micro economic reforms, and a relatively all-embracing 15 per cent consumption tax compensated for by significant income tax cuts and welfare safety nets.

This was a stretch for the Australian public and while it might have survived successful campaigning, Hewson was forced in the campaign to back down on the inclusion of food in the GST package, with a consequent offset to income tax reductions.

As a relative newcomer in a relatively unstable party leadership, Hewson worked with a small group of parliamentary colleagues. He kept the development of policy close to his chest and that of a small group of external consultants. He did not engage fully within the party because he was no doubt very confident of his technical economic and policy expertise, but also possibly because, as some suggest, he was insecure in his leadership

The program was very much his personal agenda, about which he felt passionately.

For many Fightback was seen as good policy. Notwithstanding his visceral attacks on it, it could reasonably be seen as a purist extension of the Keating agenda. The key element – a GST with tax and welfare compensation – albeit in a more moderate form – along with other measures, such as further tariff reductions, were introduced subsequently, in a further wave of reform.

While Hewson was strong in technical policy development, he had been elected Opposition Leader after only three years in parliament and seemed unprepared politically. Unlike Howard and Hawke, he was uncomfortable with broader political interaction, including with the general public. This is a factor worth noting for those naïve observers who assert business leaders without political experience, for example, could or should move quickly to political leadership.

Inexperience on the hustings together with the radical nature of the package put to an unprepared electorate, and Keating's ability to mount an effective scare campaign, gave the Labor Party an unexpected victory.

While some question the political wisdom of publishing a highly detailed election manifesto (arguably the most detailed ever put to any electorate), the clear vision and technical preparation for government, and a clear mandate for a program, would have facilitated an efficient translation of reform ideas into government.

However, while its lack of success was down in part to Keating's political skills, it also clearly lacked an internal and external stakeholder embrace.

As with Howard's WorkChoices, Fightback was seen to push the envelope too far for the electorate, making it vulnerable to a scare campaign without adequate education and articulate exposition of the reasons the public needed to accept challenging disruption.

We can assume also that a lack of attention to building strong consensus with parliamentary colleagues would have made implementation more challenging in government.

“As with Howard's WorkChoices, Fightback was seen to push the envelope too far for the electorate, making it vulnerable to a scare campaign without adequate education and articulate exposition of the reasons the public needed to accept challenging disruption.”

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## Hawke, the consensus politician

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It is not only self-styled visionary and big picture political leaders that are associated with significant reform.

Two of Australia's most successful political leaders, Hawke and Howard have in fact pointedly distanced themselves from this leadership style.

Bob Hawke has been judged the ultimate consensus politician, a view built initially on his stated philosophy in the 1979 Boyer Lectures on *The Resolution of Conflict* and his first major act in government – the calling in 1983 of The National Economic Summit to garner support for a new structure of relationships between the major economic parties.

In discussing the Summit, Hawke claimed in his 1994 memoirs:

“The idea of uniting the country around commonly agreed values and goals on the basis of a shared understanding of economic realities was the centrepiece of my thinking for the future of Australia.”

He quotes his personal aide-memoire at the time: “Essentially the Government is concerned to manage the economy in a way which reflects the consensus of all sectors of the community and is based on an assumption of mutuality of interests and widespread goodwill between all Australians.”<sup>10</sup>

This appeared to be a timely approach in a divisive period in politics that started in the Whitlam era and had been more recently impacted by economic pressure and internecine industrial conflict.

The Labor Party had reached an accommodation with an enlightened trade union leadership that traded some wage restraint for a broader package of complementary policies and a more centralised national planning orientation.

In part reflecting the modus operandi of the tripartite centralised industrial relations system that was so much part of his personal history, Hawke sought to underpin this in government by incorporating peak councils and corporate leadership of the business sector into a tripartite consensus.

Built on his recent electoral mandate and general reaction to industrial disharmony, Hawke and the ACTU leadership, through a guided and carefully managed political process, achieved the Summit's endorsement, inter alia, of a range of tripartite consultative mechanisms. These involved relevant peak bodies and included the Economic Planning Advisory Council (EPAC), Advisory Committee on Prices and Incomes (ACPI) and the Australian Manufacturing Council.

EPAC, actively led by Hawke and Treasurer Keating, was very influential in its first few years. It was a vehicle through which non-government parties could, and did, initiate and contribute thoughtful and well researched papers, for example on taxation and other micro economic areas. These papers from government sources, the newly formed Business Council of Australia and other participants, were published and foreshadowed and gave impetus to many of the reforms subsequently pursued by the Hawke and the Keating governments. The significance

of EPAC was the collective and open discussion of major reform options by major stakeholders within the very heart of government.

Through sharing information and research this enhanced the education of leading players, and through discussion away from political constituencies it optimised agreement between the parties, leaving only residual issues to be identified and fought over.

As Hawke said in relation to taxation reform: “Involving EPAC, a framework for consultation between constituent community groups, government, business, unions, the professions, welfare groups – early in the tax reform process was in line with my aspiration to govern inclusively and consensually.”<sup>11</sup>

The evolution of EPAC provides a metaphor for comparing Hawke’s consensus with Keating’s individualism. As noted Hawke used it to embrace constituencies, whereas Keating became intolerant of what he perceived as the mediocrity of external participants, abandoned them, and turned it into a Prime Ministerial think tank. Eventually Howard blended it into the Productivity Commission.

“The evolution of EPAC provides a metaphor for comparing Hawke’s consensus with Keating’s individualism. As noted Hawke used it to embrace constituencies, whereas Keating became intolerant of what he perceived as the mediocrity of external participants, abandoned them, and turned it into a Prime Ministerial think tank.”

Hawke in retirement was keen to differentiate himself from Keating’s stress on individual leadership

Hawke has given his own contrasting assessment of his own leadership style: “I was a trusting, non-interventionist leader who allowed ministers their heads, not least because they had good heads, and because experience has taught me that talented people work best when they are respected and left alone to do their jobs. I provided leadership by identifying the important issues, talking to my ministers about them.”<sup>12</sup> And again: “I wish to emphasise that the Hawke Labor Government was a team...Alone I did not do it.”<sup>13</sup>

As noted, self-reflection does not always constitute good evidence, and there were times when Hawke acted unilaterally or was intolerant of oppositional perspectives. He was also at times criticised for being indecisive and compared unfavourable with Keating in this respect.

Those close to Hawke have noted his strong adherence to traditional public administration, including respectful dealings with the public service, and strict cabinet protocols for process and policy development. These facilitated stability and effective management that in turn enabled a contestable flow of ideas, and well managed execution.

However, the processes of education, dialogue and negotiation he put in place both inside the Labor movement and in the wider public at the time, were important to the capacity of his government – and those governments that immediately followed – to achieve significant reforms.

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## Howard's leadership

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Howard also had a very different perception of his role to that of his predecessor Keating, and his statement of it in his autobiography appears to be a deliberate one of differentiation around “the vision thing”.

He said: “I did not come to office resolved to turn a nation on its head...I wanted to have a vigorous debate about the need for change in those areas that are holding the nation back, but my starting point was one of optimism about the condition of the Australian spirit. I had a program in mind, but I was not so arrogant as to assume that I should inflict on the Australian people a new vision for the nation...Good leadership interprets and applies the received values of a nation. In many ways, the changes I wished to bring about would more directly echo the instincts, of the Australian people, rather than impose on them something new, and about which they would feel uncomfortable.”<sup>14</sup>

However, while Howard openly eschewed the “vision thing” his approach to policy was very strongly based on his own personal values; he did have a clear view of the direction he wanted Australia to take.

This consistent purpose led him to normally avoid opportunistic political point scoring when it conflicted with his philosophical position. He is proud that, rather than exercising a veto for political advantage, many of the Hawke/Keating reforms that were compatible with his party's own approach were only made possible by their support in opposition.

His values and general directions were set out in a series of Headland Speeches and his dogged pursuit of some preoccupations such as national security and industrial relations gave him the label of ‘conviction’ politician.

But while he himself has asserted “conviction is the mother of success in politics”, he also has acknowledged: “Compromise is a necessary political tool.”

He was an effective manager of his political capital and, for example, accepted the considerable concession of exempting food, to get necessary GST reform in place. As a colleague said, he declared 80 per cent a victory, and moved on.

However, compromise was less on the table as he doggedly pursued water-front reform; he showed an unwillingness to give ground to populist sentiment and tough opposition when his task was strongly aligned with his deepest convictions.

Ultimately his conviction-driven over-reaching on WorkChoices took him beyond his stated “interpreting and applying the received values of a nation” and what the public would wear.

Nevertheless, despite this over-reaching, and without the populism of Hawke, much of his political success has been attributed to his understanding of public sentiment.

He enjoyed his engagement with the public. He said: “Throughout my political career, and especially in the time I held a leadership role, I sought constant

personal contact with voters, beyond what was in meeting commitments, to discuss their concerns or attending functions to which I had been invited.”<sup>16</sup>

This engagement was extended by incessant appearances on talk back radio that also provided him with the opportunity to constantly explain his views to the public without the filter of press gallery interpretation and emphasis. This use of the media gave him initiative in the emerging 24 hour news cycle phenomenon.

While arguably he was more ideological than Hawke, he shared a similar commitment to public administration through disciplined and formal cabinet government.

Except in relation to those few ideological certainties, Howard was open to internal ideas and worked hard to find internal consensus with his colleagues around central themes.

Paul Kelly noted: “The main instrument of Howard’s Prime Ministerial power is the cabinet...Howard uses the cabinet as an instrument of his authority, of ministerial consultation, obedience and unity. The contentious issues are cleared through cabinet...It is the most unified cabinet since Menzies and reflects a remarkably shared outlook.”<sup>17</sup>

A further hallmark of Howard’s leadership was his personal organisation and discipline, characterised by his daily routine, and refusal to be too distracted from the routine affairs of government by the daily crises, or personal passions.

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## Lessons from leaders

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Behind this exploration of leadership styles is a desire to understand what makes good policy for the longer term.

Readers will make their own judgements about how these assessments of leadership characteristics compare with political leadership at the time of publication, but in doing this we should note what are claimed to be differences in the political environment of today.

The three years before this publication, government was bedevilled by a hung national parliament and minority governments in some states. However, most governments discussed above did not have majorities in upper houses of parliament and major reforms were only made possible by the cooperation of opposition parties.

Changes in the media cycle are more significant, although as noted they were evolving in the latter part of John Howard’s leadership and were actively addressed by his personal media omnipresence. A focus on strong long term policy directions has helped some leaders to rise above being absorbed into the daily political detritus which the media amplifies.

We note that burning platforms are helpful in achieving change; the public is more ready to make the sacrifices of adjustment. But it is not a necessary precondition for getting significant change. Economic crises were acknowledged to be critical to the Kennett and Douglas revolutions, and while acknowledging the economic

downturn of the 1990s, the inability to convince the public of one was arguably a problem for Hewson's radical requests of the electorate in 1993.

Every opposition attempts to create a sense of crisis to denigrate the governments they wish to supplant, but only some seek to use it to establish a mandate to achieve difficult policy reforms.

In their post-hoc assessments of their own regimes, both Douglas and Keating have asserted that good policy is good politics. We would certainly hope this is true but the experiences of leaders identified above suggest good policy needs to be supported by competent political management and can be thwarted by the converse.

“Every opposition attempts to create a sense of crisis to denigrate the governments they wish to supplant, but only some seek to use it to establish a mandate to achieve difficult policy reforms.”

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## Policy planning

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A common element in success has been careful consideration and preparation for government, based on careful evidence-based analysis of policy proposals. Hawke and leadership of the Labor movement carefully prepared a program for government, including through the Prices and Incomes Accord that was negotiated between the party and the ACTU. An examination of the Accord reveals some of it – particularly its strong focus on centralised planning – was antithetical to eventual policy. However, its main task, successfully implemented, was to break wage and price inflation and set up mechanisms for restraint and collaboration across the economy.

The ability of Douglas and Kennett to achieve dramatic change in a short time was due to careful and detailed work, including a thorough working through of options and the corralling of international best practice in relevant areas.

While Hawke laid out a positive environment for change, Keating bunkered down with the Treasury and his staff for some time, and absorbed the extant body of reform proposals before emerging with a cohesive agenda that he then leveraged effectively.

Howard's preparation owed much to his long period in opposition during which he engaged actively with the liberalising agenda of the government and honed his policy positions. It was clear from his consistent response to contemporary issues what he would seek to do in government.

The need for evidence-based policy has been the mantra of leaders in public administration, but is often ignored in favour of populist appeal, limited analysis before commitment to policy or ad hoc response to a political flashpoint.

Policies introduced as thought bubbles on the run, to give the impression of activism or to resolve short term political problems, have normally been flawed and frequently proven to be politically counterproductive. The risk of this is greatest in election campaigns when there is a premium on electoral popularity.



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## Commitment to reform and consistency of purpose

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Another common element in success has been a strong sense of policy direction and a set of core values. This has reflected long term views of where leaders wanted to take their country and the best path to achieving it. No one has doubted what the successful leaders discussed above stood for.

This is in contrast to politicians whose major focus is less on policy and more on winning and retaining the exercise of power, and who are most heavily oriented to the political 'game'.

Consistency is important and, as noted, Howard's eschewing of short term political advantage through rejection of Hawke and Keating reforms, stood him in good stead for his period of government.

Keating's constant testing of policy options against 'the big picture story' is a testament to this, as is his view of the value of overarching frameworks within which individual policies must play their part.

This consistency of view and appreciation of a broader framework means that small and incremental decisions add up to achieving larger goals, and recourse to convenient ad hoc responses under pressure do not undermine them.

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## Political sophistication

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However all of this takes place in a political environment and clearly good policies will fail if not supported by astute politics. While long term goals provide guidance for activity, the policy end game does not need to be unpacked when it is not tactically useful to do so. Howard's second term GST initiative, and Keating's second term push to enterprise bargaining, show that policies need to be introduced strategically.

While notwithstanding the valid criticism that most politicians have inadequate experience of the real world, political inexperience and poor political judgement is shown to prevent the introduction and sustainability of reform.

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## Communication and consultation

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The quality and extent of communication and consultation has been a determinant of success in reform although it has taken different shapes and the leaders have given different emphasis to their engagement with various stakeholders.

Hawke's priority was to achieve maximum mutual understanding with peak bodies and other representative organisations, and with high profile leaders.

Howard was less inclined to embrace so called 'representatives' but (as did Hawke) he engaged effectively with the general public and gaged their issues instinctively.

Keating also engaged but mainly with supportive elites than peak bodies, and later in his Prime Ministership narrowed his range of interlocutors further. With the public he concentrated on his consistent narrative, "spinning the tale" but commonly asserted leadership was not about being popular but "about being right".

The willingness and ability to engage empathetically and consultatively with 'influencers' and the electorate and respond to their moods has been a critical factor in policy success and its limitations. While major achievements were won without this in the case of Keating, Douglas and Kennett, losing touch with the electorate, and in the view of some, a degree of arrogance and hyperbole inconsistent with the public psyche, cost each of them the opportunity to continue their reformist programs.

At the same time the style of leadership that simply reflects public opinion gained for example by focus groups and polling does not inspire challenging reform, and in the long run, is likely to be counterproductive politically.

"Policies introduced as thought bubbles on the run, to give the impression of activism or to resolve short term political problems, have normally been flawed and frequently proven to be politically counterproductive."

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## Internal cohesion

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Of great importance to ongoing success has been the capacity to build internal cohesion around policy directions. While factions and diverse opinions exist in all parties, autocratic leadership and poor management can lead to unseemly division and frustrate the reform agendas of governments.

Hawke and Howard tended to do this by patient dialogue with the front bench and party. Keating and Kennett were attentive to the need for it, but more direct and assertive in winning internal support. Nevertheless each of them, through their own means of internal relationship management, achieved the cohesion necessary to go forward without having to watch their back.

While there was no open dissent at the time, the more limited building of support by Hewson and Douglas had negative consequences for them, their parties and their reform ambitions.

It is worth noting that Hawke and Keating achieved significantly more in tandem than separately, and a deep and mutually supportive relationship between Kennett and Treasurer Stockdale was essential to their success.

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## Disciplined governance and public administration

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Finally there appears to be a strong correlation between success and good internal processes. Significant adherents to cabinet protocols have led to effective consideration of issues and helped garner informed internal support. Conversely, where they have broken down by leadership neglect or excessive reliance on private staff or 'kitchen cabinets', there has been not only disquiet and complaint, but also serious mistakes in policy or its presentation. Unnecessary errors of judgement are made because of missed opportunities to utilise the collective judgement and experience of ministerial colleagues.

There is legitimate criticism of the build-up of ministerial staff, a process developing through the period under discussion and peaking in recent years. The criticism is largely because the roles they assume often go beyond their competence and experience, and lead to a consequent diminution in the proximity of ministers to the career public service.

Where the public service is frozen out of the processes of policy consideration, and marginalised by ministers and their staff, the wisdom and experience of, talented and usually committed officials is lost to the detriment of good policy.

“Where the public service is frozen out of the processes of policy consideration, and marginalised by ministers and their staff, the wisdom and experience of talented and usually committed officials is lost to the detriment of good policy.”

However, a small number of highly qualified experts in the private offices of leaders have been important to successful reform. Leaders in the period under review have been well served by the likes of Ross Garnaut and Craig Emerson on Hawke's staff, Ken Henry, Don Russell and John Edwards on Keating's and for example the role played for Howard by Arthur Sinodinus.

Where they have not had such high profile staff advisors – as in the case of Kennett and Douglas – there has been a concerted effort to leverage the best possible advice and support from academia and, for example, the professions.

Finally the role of the public service has evolved over time. It retains some of the nation's best and brightest although some fear that progressively through this period there has been an unfortunate decline in the human capital attracted to public service careers.

Career public servants have been used both effectively and ineffectively over the years. Hawke, Howard and their staff have had constructive relationships, particularly with leaders in central agencies, and Keating's close relationship with selected Treasury officers has been much commented on.

The significance of government to Australia's economic and social welfare is such that we should optimise our leadership potential and ensure our government leaders at all levels have a brave and disciplined focus on continuing policy reform.

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## 2. Economic policy reform as successful change leadership

Greg Smith

.....  
This chapter explores how major economic policy reform is achieved and the key factors that can substantially improve the chances of success.  
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**Greg Smith** has over 30 years' experience as an Australian economic and public policy adviser. He has played a major part in most of the major tax and superannuation reforms, and many financial system reforms, undertaken in Australia since the early 1980s. These include the capital gains tax, dividend imputation system, fringe benefits tax, and business tax reform; the introduction of the GST, the

superannuation guarantee, and the establishment of the current regulatory framework for the Australian financial system.

Greg's career has included six years as a Treasury Deputy Secretary (Head of Budget and Revenue Groups); a further 12 years of SES leadership of Treasury tax and financial system areas; three years as a ministerial adviser to former Treasurer Paul Keating and three years as a shadow ministerial adviser (Industry, Business and Consumer Affairs – with Shadow Ministers Hurford and Brown); as well as playing key roles in several major public inquiries including the Wallis Financial System Inquiry (Secretary, 1996–97) and the Henry Future Tax System Review (Key Member and Co-Author, 2008–09).

A Melbourne Law School Senior Fellow and Adjunct Professor in Economic and Social Policy at the Australian Catholic University, Greg is also Chairman of the Commonwealth Grants Commission, Board chairman of the Centre of Excellence for Public Sector Design and also a Director and Treasurer of the Centre for Policy Development in Sydney.

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## Introduction

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This paper is about achieving major economic policy reform.

Major change in any field is difficult. It is usually resisted by many of those it affects. Every project faces unique circumstances and features, including many unknowns. And there is no formula for success that will work every time.

This paper does not offer a bullet-proof way forward – there is none. Rather, the goal of the paper is to identify the things that substantially improve the chances of success. In particular, it looks for the things that make major economic policy reform less difficult, through a change leadership approach relying more on paving the way rather than just courageously, or recklessly, charging forward.

In some ways, policymakers pursuing major policy reform face similar challenges as business leaders seeking major organisational change. Much has been written on delivering large scale change in business organisations, but less so on major policy change. In this paper, we will follow a well-known framework used in organisational change and apply it, with suitable modifications, to major policy change in the Australian setting.

Throughout the discussion, the story is illustrated by reference to some of Australia's major economic policy achievements over the past three decades.

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## Why reform is a difficult type of change

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The purpose of change is to solve problems, even where the problem is simply that we don't yet have what we want. Theorists of change in a range of fields<sup>1</sup> have identified two fundamentally different types of change confronting human experience – first and second order change.

First order changes are the adjustments we make to keep things on track, and most of our work is directed to this type of change. These adjustments occur mainly within existing systems which themselves do not change much. Balances are restored, functions are repaired, and shortages are topped up. This is mainly a management task, rather than a leadership task. Most people are quite good at it, and it is widely supported because the system and its expected impacts on us are already well known. First order change has its challenges, but it usually offers clear reward for effort.

Second order changes are those that take us on an entirely new path. They significantly transform or even replace existing systems, pursuing new goals and/or using entirely new methods. More and more changes of this type are demanded of us as the modern era unfolds. It requires leadership more than management, because few start out able to see or understanding the new systems and even fewer believe they want to be part of it. Taking a new direction starts with uncertainty and carries risks. Far fewer people are good at it.



Major economic policy reform is overwhelming of the second order kind. That is one reason it is so hard and not attempted by many. Some policymakers like to call their policy proposals ‘reforms’ but that is not necessarily what they are. They are often little more than first order adjustments, perhaps just scaling up spending programs or handing back some windfall tax revenues.

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## What is major economic policy reform?

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To qualify as major economic reform, a change needs to meet three main criteria:

- It is substantively second order change, taking Australia in a major new direction;
- It is sustainable (and usually ultimately bipartisan) because it is change that our economy and society clearly needs to respond to real shifts in the policy environment; and
- It is change that serves the public or national interest, rather than just one sector against others. Generally, that means it is well-founded in economic principles.

For much of the 19th and 20th centuries, policy reform most often referred to large scale changes that ‘put a human face’ on industrial capitalism, or which built new institutional architectures in the aftermath of devastating economic depression or world war. This era of political, social and economic reform built the basic institutional frameworks that still largely define the developed economies today.

However, from around the late 1960s and 1970s, it became apparent that many economies had begun to misfire, with ‘stagflation’, low economic growth, missed opportunities and other problems. At about the same time, several developing countries mainly in East Asia set out on new trade and market oriented paths towards rapid economic development. While generally welcomed, this began to put considerable structural pressure on the already under-performing developed economies.

So in the late 20th and early 21st centuries, reform has more often meant large scale economic policy change needed to restore, or create, vibrant economic growth. This switch in reform focus has been driven further by many other factors including the increasing mobility of capital, labour and knowledge, new information and communication technologies, other structural economic shifts and demographic change. Factors like these have meant that the pressure for further reform continues – that change itself has become an unchanging challenge.

“A popular adage among experienced public servants is that major change follows, or even requires, a crisis. This is a narrow version of the more general proposition that achieving change requires a sense of urgency.”

In Australia, major economic reform has included the reduction of trade and investment barriers, floating of the dollar and removal of exchange controls, privatisation and other shifts toward competitive markets, pro-growth reforms in the taxation and financial systems, the building of a new three-tier retirement income system, and more flexible arrangements in labour markets. Several states have also pursued reform agendas, making significant advances in the provision of public services, regulatory frameworks and infrastructure.

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## An outline of the change framework

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How was major change achieved? What were the main elements of successful strategies? Did they have parallels with the major elements in leading organisational change?

Perhaps the best known of the business change leadership frameworks is that developed by Dr John Kotter while at the Harvard Business School.<sup>2</sup> He proposed that success requires an eight stage process, directed to three different but related sub-goals. In summary these are:

- A. Addressing resistance to change
  - 1. Establishing a sense of urgency
  - 2. Creating a powerful, guiding coalition
  - 3. Developing a vision and strategy
  - 4. Communicating the change vision
- B. Delivering the change
  - 5. Empowering others to act
  - 6. Generating short term wins
  - 7. Consolidating gains and producing more change
- C. Making change stick
  - 8. Anchoring new approaches to the culture

While all are important, the first five of these stages seem particularly relevant to public policy reform because they relate mainly to overcoming resistance and building support. These are the main challenges faced in the essentially political task of achieving public policy reform. We now discuss each of these in the public policy context, illustrating them with Australian experience in the past 30 years.

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## Stage 1: We need a crisis – creating urgency

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A popular adage among experienced public servants is that major change follows, or even requires, a crisis. This is a narrow version of the more general proposition that achieving change requires a sense of urgency. In either formulation, the required sense requires not just that something real is pressing, but that an urge to respond is widely shared. Creating urgency is the process of generating and widely sharing this state of mind about the problem, first and foremost, even before there is any clear proposal about what to do.

Indeed, it is often best if there is no immediate solution on offer. This is not easy for some politicians. Many desperately want to be seen as in charge and on top – to have the answers and the right promises to deliver them. However, in practice rushing to solutions can undermine the sense of urgency. First, if a solution is readily to hand, the situation is hardly pressing. More importantly, the rush to announce solutions locks politicians into a vulnerable position. Attention quickly shifts to the costs, the problems and losers in any policy change, drowning out the fundamental problem which is the basis of creating a shared sense of urgency.

The sense of urgency about Australia's big reforms had many sources. For example:

- Tariff reforms were built on the foundation of persistent messages over many years from the antecedents of the Productivity Commission that tariffs were taxes on consumers and exporters, that competitiveness could not be sustained that way, and that it could not save jobs. It took a while, but the pressing need for change eventually dawned.
- 1980s tax reforms were built on the message that tax avoidance was rife and the system could no longer be patched. Then, in 1998, the campaign towards a new tax system began with advertising and other messages that the old tax system was broken, all running before the GST and related reforms were even announced.
- A range of economic reforms in the 1980s and 1990s were built on the realisation that Australia was slipping down the relative income ladder among its international peers. A colourful illustration of the message was Paul Keating's 'banana republic' warning, but the message had been pursued in many other ways as well, including through economic summits. The urgency of this situation came to be widely shared.
- The crisis in the perceived inadequacy of national savings underpinned several other reforms. The sense of urgency was heightened by repeated messaging, including through a public inquiry on national savings. This was followed later by the powerful messages of the intergenerational reports (in itself a policy-free analysis) introduced by the Howard Government and continued since. These messages have variously supported wage restraint, the superannuation guarantee, and the establishment of the medium term fiscal framework.

There is a more overt political dimension to this as well, involving a different type of urgency. To cement its position, the Hawke Government faced an urgent political need to demonstrate economic policy credibility after the perceived shortcomings of the previous Whitlam Labor Government. The Howard Government faced a similar pressure based on disappointment over the limited reform record of previous Coalition governments. Fortunately for economic reform, the shared sense of political urgency that these leaders were able to build internally worked in parallel with building a shared sense of urgency externally about Australia's economic challenges. For a period, they combined to establish a reform culture (or assumption) within the major political parties across Australia.

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## Stage 2: We need a strong leader – forming a powerful coalition

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In recent years in Australia, there has been a tendency to personalise major reform proposals in two ways. First, personality politics has become even more dominant than in the past, with political agendas increasingly centralised around single leaders – prime ministers and premiers. Second, governments have often pursued the 'authoritative leadership' model in the design stage of reforms, such as giving expert (authority) personality to reforms called Bradley, Gonski, Garnaut or Henry.

The second stage in Kotter's framework hints that this tendency towards narrowing of the leadership model is almost certainly a mistake. We do not live in an era when politicians or experts are revered as authorities, and we have never lived in an era when broad system change leadership was delivered by individuals alone. On the contrary, effective major change leadership has always required a considerable body of leaders working together for a common cause – a powerful coalition. Many of these people can support and promote a reform issue, but not necessarily in ways that identify them with a person or a particular partisan agenda.

“...personality politics has become even more dominant than in the past, with political agendas increasingly centralised around single leaders – prime ministers and premiers.”

- Personalising reform programs early can get in the way of building leadership and subsequently building wider support. The tax reforms in the 1980s and the GST in 2000 generally were not called 'Asprey reforms' even though they were based on that report. Even the political labels of Hawke, Keating, Kennett, or Howard have generally been identified that way mainly in hindsight. It is probably no accident that one of the more widely supported reform ideas in recent times (notwithstanding concerns about its affordability), the National Disability Insurance Scheme (NDIS), is associated with no personal name and was developed instead by the relatively faceless Productivity Commission. The coalition of support for that reform is deep and wide.

- Reform governments generally worked through cabinets where cabinet ministers had voice and presence. They often had to persuade and enlist support even more widely. For example, in the 1980s much reform was first pursued through changing party platforms and through mechanisms like the Prices and Incomes Accord. A powerful advocate could be necessary, but never alone sufficient. Many leaders were necessarily engaged.
- Business, trade union leaders and a range of others were often key players in the processes that ultimately brought reform. This could work at several stages. For example, the key options for tax reform in the early 1980s were first outlined in speeches by leading (Treasury) public servants and in conference papers by leading academics. They were then brought together in a draft white paper for discussion in the community and among business groups. A tax summit then followed, and then ultimately final decisions were taken after further time passed. Each stage brought a higher level of political identification and leadership. Through this process not every potential leader grabbed the mantle, but many critical voices were given an opportunity to play a part in the required coalition of leadership.
- The persuasive role of the business sector Chairman (Stan Wallis) of the 1996–97 Financial System Inquiry and then subsequently the engagement of many participants in that process in implementing reforms (which also required state support) also illustrates the value of a broad leadership coalition.
- The strategy for the introduction of the GST is a further example. The GST was made a core revenue stream for the states and territories, making all of them key participants in the leadership process. Its revenue purpose supported a new tax system directed at sustaining key public services (state health and education) as well as taking pressures off income taxes.
- Successful reform also requires building effective policy leadership and capability within the public service. Short term processes like consultancies can contribute key insights but most major reforms are complex and require sustained leadership over a long period of development and implementation. Standing capability and continuity of leadership is highly advantageous (see also stage 5).

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### Stage 3: Why act now? Developing a change vision

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Support for change requires that people clearly see the vision. The mistake here is to think that the vision is simply no more than the policy proposal itself. A compelling vision is not a program, or an announcement, or a set of plans. Nor is it policy advertising (but we will discuss that in the next section).

It is much more. The vision goes beyond what is proposed to a clear sense of the reason, nature and plausibility of the change and the way it will all work in the future for those affected (even perhaps how it affects other things).

There are limits to this. Sometimes, a part of the change will require some leap of faith. But usually the decision to jump requires considerable prior effort at building confidence about the secure ground on the other side.

A notable feature of a great deal of the successful Australian economic policy reform of the past 30 years is that it was typically catch-up change. For example, the Australian dollar was floated more than a decade after the US abandoned the fixed exchange system dating from the post-war Bretton-Woods agreement. Similarly, Australia's GST was introduced several decades after most other developed countries had introduced broadly based consumption taxes. Few if any reforms did not have long established overseas counterparts. Moreover, many of them had long been the subject of considerable study and debate in Australia as well. The vision, in other words, was often readily enough to hand.

It is probably a bit harder now. We are being driven beyond catch up. The forces of change are less well charted – the shift to new developing economies and linkages, new demographic patterns and trends, and most of all new technologies addressing new needs and challenges.

But the greater difficulty does not diminish the role of vision and its close cousin, strategy. This was met in relation to the major reforms to date through a number of key elements:

- Development of many major reforms as substantial packages of measures (particularly the tax and financial system reforms) that addressed social and economic goals and interests concurrently.
- Building reforms through intergovernmental process such as those relating to competition reform, where key stakeholder interests (including impacts on state finances) are comprehended and addressed.
- Critical through this (and other reforms) has been the marrying of interests – for example competition, competitiveness and consumer (cost of living) interests, and labour force flexibilities with employment growth and opportunities. Perhaps since the time that the dollar was floated, exposing a key instrument to market forces, Australian policy has focused on the consistent message that markets, given sound regulatory frameworks, and social aspirations can be mutually supportive.
- Establishing key narratives that ensure that various elements of reform are linked to a cohesive vision for Australia. Important among these have been the ideas of engagement with newly emerging Asia, the international promotion of freer trade and investment, sustaining national savings and associated medium term fiscal disciplines, and the linking of horizontal equity and allocative efficiency tasks through ideas like broader tax bases facilitating lower tax rates. These analytical and narrative issues link also to the task of communication of the vision addressed in the next section.

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## Stage 4: Why act ever? Communicating the change vision

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Kotter and many others have observed that change failure very often is due to massively inadequate communication of the message. The problem is partly one of communication frequency, but also of effectiveness in the way the message is communicated.

Since we now live in an era that could almost be defined as the communication era – when communications have never been more highly developed, low cost and high speed – we need to recognise why this is still such a problem. That is a big subject, which can only be touched on briefly here. The problem now is that communication is so powerful that everyone can do it. A world of high communication power has turned into a world of noise, and the problem is sustaining focus on what matters. In the face of that challenge, much of the mainstream media have turned to modes of communication that most political leaders have struggled to make work for them.

The critical need, at least in the beginning, is to communicate why a change is needed. Somehow, this seemed to work fairly well in the major reform exercises over the past 30 years. For sustained periods, leaders managed to maintain communication intensity and focus on the main issues.

There were, and are many elements in this: the following are just a few examples. What they really amount to is recognition that major policy change needs its own communication strategies. These will likely look quite different to the communication strategies devoted to other purposes – like opposition politics, political brand or celebrity development or even policy and program advertising.

- Using the steps in an extended change process as communication opportunities. The process of developing change can generate newsworthy material. Each step (policy conferences, summits, issue leadership campaigns, and negotiations to gain support) can be seen as important as a communication opportunity rather than as a threatening source of controversy or resistance.
- In the 1980s, the Labor Government often needed support under the Prices and Incomes Accord or of its own party through changes to party platforms. These processes often generated discourses that pre-dated, but built support for, subsequent policy shifts.
- Coalition governments have often had analogous process demands. Seeking support through party, business, and community structures provides positive communication potential – too often today this has been subordinated to central leadership dominance and truncated processes that rely on the unreliable channels of media management.
- Multiple channels with multiple voices. This is where broadening the leadership coalition is an important complement to effective communication. Multiple voices are often seen as a threat to change, but particularly in the early stages of reform, when problems are being understood and voiced, an engaged role

for business, unions, independent academics and community groups can facilitate the communication task, provided there is a strategy in place to keep the discourse focused. That is where articulation of vision and strategy is vital, but no-one can expect this part to be easy.

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## Stage 5: What's in this for me? Empowering others to act

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The first four stages correspond to those that Kotter sees as addressing resistance to change, but there is a need also to consider how success gets embedded and sustained in the initial months and years after the reform is launched.

In particular, the fifth stage, empowering others to act, very quickly becomes vital and indeed it is critical that it is understood and anticipated in the process of building the entire change process. This is because this is the stage where change confronts new problems and new sources of resistance, and these will only be overcome if a broad range of new champions is in place with a strong interest in making things work.

We live in complex and highly networked societies. Very little is achieved in our societies without very widespread buy-in from all of the key actors affected by a major change. These people are empowered if they can see, or be provided with, a way of furthering their own careers and aspirations by acting on the opportunities created by the change. This extends active participation well beyond the guiding coalition that was identified in stage 2.

An internationally open and competitive economy is not ultimately made by politicians or bureaucrats – it is made by business organisations and their employees. Reformed taxes are made to work and fit into the fabric of businesses mainly by the businesses themselves (who calculate and pay nearly all taxes) and their professional advisers. Australia's unique retirement income system meets the aspirations of savers and retirees only through the work by a large network of people and organisations working in the funds management and financial systems. Education reform, national disability insurance, privatised enterprises and infrastructure providers and everything else comes from the work of tens or hundreds of thousands of dedicated, professional people.

Successful change requires the engagement of these people. It requires extensive work to ensure that they are empowered to participate in, and become an integral, self-leading part of the change process. Where they see problems, effective policymakers must join with them to find solutions. This is where change becomes much more than consultation – it becomes co-production.

“Critical to this is the bridge provided by the public service between political decision-making and the wider engagement in reforms by the community, including business and professional bodies. This is an important investment that was recognised in a number of Australia's past reform programs.”



Critical to this is the bridge provided by the public service between political decision-making and the wider engagement in reforms by the community, including business and professional bodies. This is an important investment that was recognised in a number of Australia's past reform programs.

- When the GST was introduced, a major investment was made in assisting small business to comply with the new systems. The Tax Office also made large capacity investments in systems and guidance provision, and these were matched by those across the private sector. A wide range of issues was addressed by a broadly based Tax Consultative Committee (and subsequently from 2000 the new Board of Taxation). At the intergovernmental level, standing arrangements and protocols of the Commonwealth and states were established to coordinate and problem solve as issues arose. State budgets were provided with a no-disadvantage guarantee and arrangements established to administer these effectively.
- While the GST (and broader New Tax System) reform was probably unmatched in scale and breadth, the outreach elements in a number of other reforms have also been critically important – for example in introducing competition reforms and new market structures in privatised industries, the building of an open entry competitive banking system, the superannuation reforms and labour market reforms. Equally, examples of inattention to this stage have carried costs and sometimes led to reform setbacks. Attention must particularly be paid to the time and resources required to build knowledge and understanding among industries or other sectors affected by reform, to build systems and limit risks in the private sector. The tasks involved go beyond communication and consultation, often to co-design and co-production at working levels typically below the radar of the political and media discourse. Perhaps the main ingredient is trust in decentralised processes.

“...the frequent calls for policy leadership often miss the key point. Yes, leadership is needed, and on rare occasions in the face of real crisis, strength of will alone may prevail. But only the right sort of leadership will consistently produce sustainable results.”

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## Fitting it all together – connecting the stages

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As a mid-sized economy in an ever-changing world, Australia will always face the need for reform. However, the frequent calls for policy leadership often miss the key point. Yes, leadership is needed, and on rare occasions in the face of real crisis, strength of will alone may prevail. But only the right sort of leadership will consistently produce sustainable results.

The evidence from organisation studies and from Australia's own historical reform experience is that success most often requires a shared, multi-staged approach focused on addressing resistance and building support.

We have a well educated, motivated and diverse people that have proven their capacity to embrace change and build success with it. It is not surprising that a broad rather than narrow model of leadership works best in that setting.

In organisational change, the order of the stages is often considered important (and notably that vision comes in the middle rather than the beginning). But that might not follow so clearly for the leadership of policy change. More likely, provided the sense of urgency about the problem is well established first, the remaining stages for policy reform may often merge together as mutually supporting elements. Throughout, the emphasis must be on engaging broadly so that supportive leadership emerges from many sources to build understanding and acceptance strong enough to get the job done.

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## The urgent search for effective change leadership

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Unfortunately, this approach does not seem to fit the mythologies that have developed about how success was achieved in the past. These myths seem to under-rate the extraordinary efforts made to instil a sense of urgency, create leadership coalitions, to build a vision that could be the subject of repeated rounds of consistent and effective communication, and to ultimately empower large numbers of people to embed and build the change. Instead, the collective memory seems often to hold only one or two signature moments or individual performances, recalled repeatedly in the shorthand accounts of events so popular in the media today (and perhaps popular with some of those individuals as well).

The shorthand recollections have led to a number of shorthanded attempts at policy change in recent years. Many have fallen short of their goals. There is even greater concern, with some of those attempts coming unstuck, that the appetite for making any reform effort has waned. But Australia has the resources and the talents to take major reform seriously.

The urgent need to do so is rapidly building again.

Increasing community expectations are again outpacing fiscal and productive capacities. We face heightened global mobility of entrepreneurship, capital and skilled labour; fast-breaking new technologies; and the inevitable ageing of the population. In the face of these threats and opportunities, the essential purpose of reform is to ensure that old ways do not act as brakes on Australia's social and economic advance.

With the need to deliver reform on several fronts, establishing the most effective change leadership framework is now itself an urgent challenge.

*The views expressed in this paper are the author's alone and do not necessarily reflect those of any other person or organisation.*

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#### Endnotes

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### 3. Challenges for northern Australia

By David Farley

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This chapter explores the policy changes that need to be considered if Australia is to capitalise on the potential of an agricultural boom as a result of the rising demand from Asia for agricultural exports.

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**David Farley** is the former Managing Director and Chief Executive Officer of the Australian Agricultural Company (AACo), the world's biggest beef cattle company. Founded in 1824, AACo has 18 cattle stations in northern Australia, more than 670,000 cattle and exports more than \$300 million worth of beef and live cattle annually.

David started his rural career as a jackaroo and was an independent Non-Executive Director of Tandou Limited and Managing Director and Chief Executive Officer of Colly Cotton Limited for a period of 16 years.

David has also held the role of Chief Executive Officer and President of Calcot (based in California, USA), as chairman of Rural Industries Research & Development Corporation, and is a former Director of Wool International.

Australia is on the cusp of an agricultural boom to rival the mining boom of the past two decades. Accelerating Asian demand has the potential to grow Australia's agricultural exports from \$10 billion to \$25 billion by 2050.<sup>1</sup>

Yet the very scale of this boom puts at risk Australia's ability to meet a more than doubling of demand from Asia.

Without an overarching agricultural policy similar to the United States' Farm Bill of the mid 20th century or the European Union's Common Agricultural Policy of the last century, Australian agriculture will be unable to take the step change necessary to meet this rising demand. Such policies need to be wider than just domestic initiatives. The Asian food boom is a regional opportunity – or issue, depending on where you live – and demands a regional solution. Australia has been very successful with geo-political cooperation in the past, with bodies such as the Association of Southeast Asian Nations (ASEAN) and cross-border crime fighting. Agriculture demands similar expansive thinking.

The challenge for agriculture is to create the sense of urgency among Australia's policymakers to bring about the national and regional solutions needed to engender change. However, this sense of urgency will not come unless the urban demographic is educated, engaged and willing to support spending in areas far from their homes, for a national benefit they may not see for a decade or more.

The Federal Government's *Australia in the Asian Century* white paper released during 2012 states that continuing population growth and rising living standards in Asia will see global food demand grow 70 per cent by 2050.<sup>2</sup>

The statistics around rising population and food demand are revealing. By 2050 the world population will have grown by 40 per cent, much of it in Asia and the sub-continent. But with food demand rising by 70 per cent, and incomes rising by more than 200 per cent in the same period, a situation is being created where the increased population will no longer be satisfied with essentially a subsistence carbohydrate diet.

The rising middle class in Asia is demanding to eat further up the food chain with a more protein-rich diet. Specifically, a red-meat protein, given the rising Muslim population in countries such as Indonesia, Malaysia and the entire ASEAN region. These middle-class families are demanding a better diet not just for taste or status, but because they recognise the part it plays in helping their children's development at an early age.

Australia is perfectly placed to be the provider of much of that food. The nation has ample space, with more than four times the arable land of the US. We also have a tradition of innovative and productive agriculture and the proximity to Asia to allow for rapid delivery. Moreover in providing red-meat protein, we have a massive national cattle herd already established as an export industry.

However the scale of providing enough food for Asia in 2050 is currently beyond the capacity of Australia's agricultural sector.

To meet this growing demand, Australia must nearly double its production of almost every export food commodity – from beef to wheat, dairy, fruit and sheep meat. The demand for an increased protein diet will force a change to the composition of Australia's exports, from 48 per cent meat and 30 per cent cereals to 52 per cent meat and 26 per cent cereals.<sup>3</sup>

Given the nature of this demand, much of the supply will come from northern Australia, where the vast tracts of arable and grazing land are not only available, but close to the Asian supply chains that will need to be created or enhanced.

The ability to supply the 'food boom' in Asia is by no means guaranteed without the proper policy settings and structural conditions. The agricultural sector is not in a position to meet the scale demanded by the coming Asian demand. Agriculture does not just happen. It needs to be planned. Even the smallest producers are planning years in advance – which crops will work, what preparation needs to be done to ensure a paddock is ready in two years time for them, what herd size is needed, with how many breeders, how to get the anticipated greater volume of produce to market?

The cattle industry has evolved to ensure the best possible position to meet the rising demand. In the past decade the industry has moved from a simple animal harvesting model, to a proper pastoral industry, putting breeding programs in place and implementing good business disciplines. This planning needs to be replicated by policy setters, but at a much higher and long term level. The agricultural sector can manage its internal efficiencies, but many of the challenges the sector faces come from post-farm gate external pressures such as logistics bottlenecks and high energy costs. These are challenges that can only be resolved by government making and revising the right policy settings.

The issue for the agricultural sector is getting this message to the policy setters.

The necessarily fragmented nature of the agricultural sector, with a predominance of family ownership and a multitude of products means the sector lacks the champions the mining boom had. Nor is Government proving a champion itself. The sector has yet to see the same commitment from either side of politics, to that given to the mining sector as it ramped up production in the early part of this century. And with the nation already providing more than enough food to feed itself, the imperative to create long lasting and broad reform in the agricultural sector is less urgent.

The challenges of finding a champion for agriculture in the next 20 years is potentially as difficult as the challenges themselves. No longer is it acceptable for a government to pick an agriculture minister on the basis that they are a farmer.

They must have a broad range of attributes, including the gravitas and presence to be taken seriously on an international stage, have wide ranging knowledge and experience of international trade, tariffs and supply chain issues and be respected enough within their own cabinet to reach out across a range of ministries. Coming from the land would be a nice to have, but it is worth pointing out that one of the best recent advocates for Australian agriculture, former Trade and then Regional Development Minister Simon Crean, had no farming background. He made up for it by being trade-literate and respected in the region. In this way, Labor has often – not always – been better at picking agriculture ministers than the Coalition. Not having as many rural members means it cannot afford to be lazy and take the traditional or easy choice of the closest farmer.

The need for such a champion within Government – or at the very least, recognition of the supply challenges – is critical, because critical changes are needed. More money needs to be spent in northern Australia, on logistics, water infrastructure and research and development. This is essential funding which will nevertheless have very little immediate – and more importantly, visible – impact on the urban democracy which is demanding better roads, hospitals and services for the outer suburbs of the south-eastern metropolises. It is apt to describe the urban demographic as an urban democracy because without their buy-in to the political process, the agricultural sector's entreaties to the policy setters will never be taken as seriously as needed.

“...many of the challenges the sector faces come from post-farm gate external pressures such as logistics bottlenecks and high energy costs. These are challenges that can only be resolved by government making and revising the right policy settings.”



Without activating, and more importantly, educating, this urban democracy, without creating the sense of urgency for change, agriculture in northern Australia will find itself behind the countries which do have the political will to invest in the policies and infrastructure needed to feed the fastest growing population in the history of the world.

What policy settings does Australia need to meet this demand? There are several critical initiatives needed to increase productivity, all of which need to be incorporated into a broad – and integrated – platform of reform.

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## Land use

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More than 44 per cent of Australia’s mainland area is covered by pastoral leases, which are, in the words of a Productivity Commission review “characterised by extensive and prescriptive legislation and regulation”.<sup>4</sup>

The commission went on to say: “The arrangements typically constrain the emergence of non-pastoral land uses, and inhibit competition between pastoral and non-pastoral land uses. Further, the arrangements may increase the relative costs and risks of managing land for non-pastoral land uses and influence investment decisions. As a consequence, innovative land uses and potential economic and ecological gains, that could benefit land managers and the wider community, may be stifled.”

It is telling that the Productivity Commission review into pastoral leases is now 10 years old – and still nothing substantive has been done. Allowing some pastoral leases to convert to freehold would have several benefits, not least the retirement of government debt. It would also incentivise the landholder to create more improvements to a property, or to convert native pasture to feed cropping to grow a larger herd.

Similar incentives could be given without converting to freehold, such as recent changes to native vegetation clearing by the Queensland Government. Governments need to recognise that without significant change to land use regulation, Australian agriculture will simply not have the physical capacity to supply Asia.

Water use, and more specifically, water infrastructure, is a perennial subject for policymakers; makers faced with the problem of how to energise northern Australia. Unfortunately, this subject is usually ‘solved’ by proposals to turn rivers inland or build more dams. These proposals – some of which have merit – are useless without being part of an integrated policy, one that is geared towards building infrastructure to serve Asian food demand, rather than building it to fulfill a pipe dream of a green inland that somehow magically produces food and fibre. The myriad of dam proposals for northern Australia do engage the urban democracy with a Snowy Scheme romanticism, but on their own they do little to solve the issue of doubling production.



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## Research and development

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Australia has a rich history of research and development in the agricultural sector, dating back to iconic innovations such as the introduction of merino sheep and the invention of the stump-jump plough. Yet the scale and pace of research and development will have to dramatically increase if the sector is to reach the level of production needed to meet the growing Asian demand.

There is considerable private investment into research and development in the agricultural sector, but much of this is necessarily focused on bettering the individual farm enterprise, rather than the wider sector. That is rightly the purview of governments. However, agricultural research and development funding is another form of spending largely hidden from the urban democracy. The results are, if not intangible to the city dweller, then often far in the future with no discernable return in the short run.

Policymakers need to recognise the importance not just of implementing and adequately funding agricultural research and development, but also of educating those who it will not directly benefit.

“...agricultural research and development funding is another form of spending largely hidden from the urban democracy. The results are, if not intangible to the city dweller, then often far in the future with no discernable return in the short run.

“Policymakers need to recognise the importance not just of implementing and adequately funding agricultural research and development, but also of educating those who it will not directly benefit.”

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## Logistics

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Australia has an inherent geographic advantage for feeding Asia. Darwin is closer to Jakarta than it is to Brisbane, and shipping costs are far less for Australian exporters to reach Asia than they are for major competitors such as Brazil and the United States. However, the increased demand from Asia will place unprecedented stresses on northern Australia's existing logistics networks.

Bottlenecks such as port facilities are easily identified. Less easily identified are areas such as bridges which will need to be strengthened to cope with increased road traffic, and the need for bitumen road access close to cattle mustering areas.

Like much of the required investment in northern Australia, spending on logistics is not as visible to the population centres of south-eastern Australia, which have their own priorities for logistics and transport infrastructure.

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## Trade agreements

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The failure to secure free trade agreements with major Asian trading partners such as the Republic of Korea and Japan are in the short term, more damaging to Australia's ability to feed Asia than building the necessary internal structures.

Australia's beef industry is losing close to \$2.5 million every week due to the failure to secure a free trade agreement with Korea. The United States, which signed an agreement two years ago, is rapidly taking up market share from superior Australian product as its tariff declines while Australia's stays high and static.

Because the US tariff keeps reducing to zero over a 16 year period, this loss will grow every year. Impact analysis by Meat and Livestock Australia estimates Australia's market share in Korea will more than halve by 2018.<sup>5</sup>

The proposed Australia/Korea free trade agreement has stalled over one clause – Investor State Dispute Settlement (ISDS) that governs rights to legal action over sovereign risk – a right the Government fears will lead to litigation over tobacco plain packaging legislation. It is a clause Australia has previously agreed to, and can be limited in any case by subsequent clauses.

It is a case of Australia suborning the interests of generating and stimulating agricultural commerce to base political considerations. There are similar problems with Japan, where trade talks stalled over car import tariffs. In this case, the Australian Government is using an efficient northern cattle industry to subsidise an inefficient southern auto manufacturing industry.

It is a case that demonstrates the challenge of energising and stimulating northern Australia without the support of the southern urban democracy. Without a public educated on the need for feeding Asia, the imperative for good free trade agreements is lost on the policymakers.

“Without a public educated on the need for feeding Asia, the imperative for good free trade agreements is lost on the policymakers.

“Government free trade initiatives should extend to providing the incentives and tax structures needed to attract capital – both foreign and domestic – into the agricultural sector.”

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## Attracting capital

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Government free trade initiatives should extend to providing the incentives and tax structures needed to attract capital – both foreign and domestic – into the agricultural sector. Foreign capital has been unfairly demonised by both sides of politics, but is, and has been, essential to the development of Australia's agricultural industry. The Australian Agricultural Company was itself founded by foreign capital out of London in 1824, and is still well supported by foreign investors wanting exposure to Australian agriculture.

Attracting and keeping capital in agriculture, with its long term horizons, is a challenge in the short term focused market. The once traditional ways of attracting capital such as tariff barriers are no longer appropriate in a global market. Instead, governments should review and restructure tax incentives, based on the experiences of the past decade, to ensure effective investment for the future. It is notable that the Coalition has gone some way towards this by proposing different tax treatments for northern Australia, although the original policy lacked detail and was focused on regional towns, rather than an all-encompassing agricultural policy.

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## Food aid

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One of the most compelling ways of educating the public on the need for agricultural reform in northern Australia is the role food, and food aid, can play in international diplomacy. It is often surprising how few people can have such incredible leverage on diplomacy. Simply put, if you are helping feed a country, diplomacy automatically becomes easier.

One of the achievements of the US foreign aid program has been to link aid with its Farm Bill. The US keeps a revolving three-year supply of food ready to provide to countries facing humanitarian crises. Rather than appear with a multi-million dollar cheque – as Australia often does – the US provides tangible food aid in the form of bags of rice, or tins of peaches, or tinned beef, all stamped with “Gift of the United States”. It is an effective way of not just providing aid to those who need it, but also going some way to eliminating the risk of corruption when cash is provided instead of goods.

Recent suggestions to use live export cattle as food aid from Australia have merit. However, under a revolving food bank structure, cattle (and other agricultural commodities) could be purchased during times of drought and oversupply and stockpiled for use in the future. The recent proposals to help alleviate the drought are haphazard, and while they may help some Australian farmers, an immediate supply of live export cattle to Indonesia may have the effect of not meeting their demand, or upsetting delicate trade negotiations. Better to process the food and ‘bank’ it, ready for use when needed.

“Rather than appear with a multi-million dollar cheque – as Australia often does – the US provides tangible food aid in the form of bags of rice, or tins of peaches, or tinned beef, all stamped with ‘Gift of the United States’. It is an effective way of not just providing aid to those who need it, but also going some way to eliminating the risk of corruption when cash is provided instead of goods.”

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## Education

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The best infrastructure plans in the world will do nothing for Australian agriculture if the urban democracy does not understand the need for them. The Federal Government's recent National Food Plan goes some way to providing for more education funding, but there is a vast gulf between the very worthy kitchen garden programs, and teaching the urban democracy about the need for better ports and roads. It is a challenge to convince someone sitting in a Sydney traffic jam of the need to spend hundreds of millions on country roads outside Darwin.

Educating the urban democracy about the need for better infrastructure and supply challenges is not something that can be achieved with a simple government program. It is a challenge that requires a whole of government approach, a commitment to selling agriculture and its benefits to the economy at every opportunity.

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## Conclusion

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The leverage that such a small sector of the economy – in per capita terms – can have on commerce and diplomacy is incredible, and humbling for those who work in it. However it is leverage that is at risk of being underutilised as our nearest neighbours expand their populations and demand for better food.

Australia needs to be part of the global market, not a consequence of it, and under the current policy settings Australian agriculture is already at risk of falling behind those nations with integrated agricultural policies.

Australian agriculture recognises that it is not the role of governments to create food, or to open up new markets. That is rightly the role of the thousands of talented people who work in the sector. It is the role of government to create the right structures to stimulate investment in agriculture, to create the level playing fields in international commerce so our products can compete. Australia has previously been very successful in creating and supporting international trade bodies such as the G20 and the Pacific Rim trading bloc. The next government should seriously investigate a geo-political solution, an ASEAN agricultural body focused on feeding Pacific Rim nations, one that can fund the research and development needed to increase agricultural output in those countries which can provide a food surplus for the rest of the region.

It is critical that Australia takes the lead and moves out of the current paradigm of unilateral thinking, recognising that this is a regional issue.

Meeting Asian demand for high-quality food is an imperative, not just for commerce but for diplomacy. The long term nature of agriculture demands that the reform needed must begin now, to anticipate the demand rather than react to it.

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## Endnotes

- 1 Verity Linehan, Sally Thorpe, Neil Andrews, Yeon Kim and Farah Beaini. "Food demand to 2050: Opportunities for Australian agriculture" ABARES . Paper presented at the 42nd ABARES Outlook conference 6–7 March 2012, Canberra, ACT.
- 2 Australia in the Asian Century White Paper.
- 3 Linehan et al, *ibid*.
- 4 Productivity Commission. "Pastoral leases and non-pastoral land use". Commission Research Paper, July 2002. [http://www.pc.gov.au/\\_\\_data/assets/pdf\\_file/0020/8219/pastoralleases.pdf](http://www.pc.gov.au/__data/assets/pdf_file/0020/8219/pastoralleases.pdf)
- 5 Meat and Livestock Australia. "Korea Trade on the Agenda". Media Release. <http://www.mla.com.au/News-and-resources/Industry-news/Korea-trade-on-the-agenda>



# Case Study 1

## Bob Hawke

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This is an excerpt of an interview with the Hon. Bob Hawke AC GCL, former prime minister of Australia (1983–1991) conducted by CEDA in May, 2013.

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**The Hon. Bob Hawke AC GCL** was prime minister of Australia from 1983 to 1991. After graduating from the University of Western Australia, he won a Rhodes Scholarship to Oxford University. He resigned from Parliament in February 1992, having been Australia's longest serving Labor PM.

*CEDA members have expressed concern about the quality of public policy setting, do you agree there has been a change in its quality?*

**Bob Hawke:** Yes, I do. I think there is an increasing tendency to, if not be governed, certainly to be influenced in approaches by opinion polls. And I find this basically repugnant because leadership is about leading, not following, and that doesn't mean you don't listen to what's being said, but I think leaders have a responsibility to shape public understanding.

It goes back to the basic belief I've had for as long as I can remember, and that is ignorance is the enemy of good policy. It's a fundamental truth, I think, of politics, and so that's why...in the process of becoming leader, I promised the Australian people I would hold a national economic summit.

*Could you elaborate on the difference between leading and following?*

**Bob Hawke:** Leaders should be about analysing and understanding what the current situation is, understanding what the changing factors within your own country and exogenously, which are going to affect the welfare of your country. Understanding those facts, it should then be about leading the people to understand the changes that are necessary to optimise your performance.

Following is just, in the crassest form, listening to opinion polls and getting something sort of run from radio jocks or other so-called opinion formers and just giving into them. That's following.

*You commented that ignorance is the enemy of good policy. Could you elaborate?*

**Bob Hawke:** If people either do not understand what the facts are or believe in some set of beliefs which are obviously wrong, I mean, then the chance of leaders being able to implement policy are reduced. The obverse of the proposition is the important thing is that if you educate your population about what the challenges are, what needs to be done, then you optimise your chance of actually bringing about those policies.

*In the major reforms that you introduced, which fundamentally transformed Australia, there was considerable bipartisan support. Is that important for public policy?*

**Bob Hawke:** Well, it's obviously desirable, if you can get bipartisan support and there was a measure of bipartisan support, but certainly not for all the things we did. That sort of bipartisan support obviously makes it easier, but it's not absolutely essential.

*Did you cultivate that support explicitly?*

**Bob Hawke:** I tried to, not just within the political, but within the economic framework. By the time I was prime minister, in a sense, I had as good relations with the business community as I did with the trade union movement. They respected me and I respected a lot of their leaders and they cooperated very much in the economic summit I held.

*How valuable is it for a leader to have a strong vision for where they want to take the economy and for the changes that need to be made?*

**Bob Hawke:** In a sense you are putting the cart before the horse. The first thing to do is to understand what has been happening, and the changes that are occurring both, as I say, within your own economy and exogenously. And then out of that understanding, you should be able to shape vision, if you want, or your idea, policies, about what needs to be done to optimise your economic performance.

But underlying it all is getting understanding of the public, and as we did through the economic summit, through the organisations representing various aspects of public life. So we had large employers, small employers, state governments, local governments, churches, charitable organisations, and I told the Treasury that every delegate there had to have as full a briefing about the state of the economy and the situation as we were given when we came in. It meant that by the time we actually held the summit, everyone there knew what the facts were and that's why we were able to get a unanimous communiqué. Apart from Joh Bjelke-Petersen.

*Can we talk for a minute about the values and ideologies of a leader and how relevant they are to policy?*

**Bob Hawke:** Yes, well, I don't think a leader should be bound by a theory of socialism for instance, or something like that. You must have certain basic values. They are what allow you to prioritise actions.

I'm a great believer in the fair go syndrome in Australia. I think it's important in our lives. It simply means that you're not going to have equal outcomes from an education process, but you're going to have equal opportunity.



*Do you think part of the problem is the pace and complexity of issues that get presented to government has changed?*

**Bob Hawke:** I suppose it is true that in some senses, issues are more complex. But knowledge has increased too. I mean, it's not as though in regard to most of the issues and problems we've got that we don't know what to do.

It's the lack of will which is the problem, and leadership.

*Has there been a change in the role of the public service since you worked with them?*

**Bob Hawke:** I think different leaders use the public service differently. I mean, in a constitutional sense, there's been no change. Whether there's a change or not depends on the attitude of the prime minister of the day. I personally found the public service a very capable and useful instrument.

*How did you approach using that instrument?*

**Bob Hawke:** Well, at the first meeting I had with the heads of department, I said I expected that in line with the Westminster tradition that they would accept there'd been a change of government and that they would now loyally seek to give effect to the policies of the newly elected government. I said, there's one thing I want to say at the outset – I do not want to be receiving advice from any of you or those under you on the basis of what you think I want to hear. I said, I want what you think not what you think I want to hear.

*In your experience, then, what would have influenced you not to use the white and green paper processes?*

**Bob Hawke:** Oh, I mean, there are some circumstances in which a white paper or a green paper make sense. I'm not saying that the concept is bad, but in the end, you've got to make your judgements, and if a white paper is going to help you understand the thing better and going to help others understand it, okay, but it can take a long time and not result in anything meaningful. It can produce funny results.

*Is there anything else you would like to add?*

**Bob Hawke:** No. I just get back to the basic points I've made, mate, and that is that there's a tendency to, I think, overcomplicate these issues. As I keep saying, a lot of it is not rocket science, it's just plain, good common sense, I think a great deal of it, is treating people decently and in a way which is going to extract the very best out of them. But as the prime minister, you've got an obligation to lead if you're going to be a more effective leader. The more effective you will be will come from how much more you get out of those you're leading, so that's not rocket science.



## Case Study 2

### John Howard

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This is an excerpt of an interview with the Hon. John Howard, OM AC SSI, former prime minister of Australia (1996–2007) conducted by CEDA in May, 2013.

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**The Hon. John Howard OM AC SSI** is Australia's second longest serving prime minister, having held that position from March 1996 until November 2007. He led the Liberal Party of Australia for more than 16 years.

*Do you think it is accurate, that there has been a decline in the quality of public policy here in Australia?*

**John Howard:** I'm critical of the quality of public policy over the last five years. You might expect me to say that, but it's true. It has declined. We haven't had any serious economic reforms.

*What are the key attributes of successful leadership?*

**John Howard:** Well, everybody looks at this differently, but the first thing is you've got to have a strong set of convictions and values. You've got to be a good listener, but also you've got to be a person that once you've listened, you then resolve to go ahead. You've got to have good relations with your people immediately around you, and you've got to understand that successfully implementing public policy changes is a combination of ideology and realism. You can't do things unless you're in government, but if you only worry about being in government, you don't do anything.

*Could you discuss the tension between pragmatic implementation of policy and the values that underpin those policies?*

**John Howard:** In politics, you need to be in government to implement things. The phrase I used often is "it is better to be 80 per cent pure in government than 125 per cent pure in opposition."

But I used 80 per cent very deliberately. You had to maintain the central features of good policy. You have to compromise at the edges to get it through.

There's a tension between values and ideology on the one hand, and political advantage on the other. It's always been there and the successful government achieves both.

*The mandate principle has been suggested as a necessary ingredient for economic reform. Do you agree?*

**John Howard:** It's a theory of government. There is a theory that you have good government when you tell the public in advance what you're going to do, and that if people vote for you, that gives you a certain moral authority to implement what you've done. Now, it's a good idea too, if you're going to undertake significant economic reform to tell the public in advance what you're going to do. Although that's not a necessary precondition. The Hawke Government didn't say it was going to float the dollar, but it didn't matter, because the opposition supported it.

*Yes. Can we talk about the GST and talk about that as an example of how you introduced a very difficult reform, or how you built a coalition for reform?*

**John Howard:** One of the ways that we were able to do it, one of the reasons we were able to do it is that it's a debate that the Australian community had been fitfully involved in for a long period of time. We had a big debate in 1993, when John Hewson put out Fightback!, which was a very good policy; very good policy. Unfortunately, the Labor Party ran a very effective fear campaign against it and the then prime minister proved a better campaigner when it came to fear than John Hewson. I don't think he won a lot of credit policy-wise, because after all, he'd originally supported a broad-based consumption tax, and it's a bit hard when you've supported it to then have a different position.

But if you come forward to 1996/97, one of the ways that we were able to get it up was that we did spend a lot of time trying to enlist or I guess to at least neutralise opposition from some of the welfare and other community groups that had a historic antipathy to consumption taxes, because they thought they were regressive. We got the business community talking about it and talking to some of the welfare groups, so it meant that when we launched it, people were at least familiar with the arguments and that helped them, and if we didn't get people onside, it neutralised their opposition.

I always encouraged people in the business community who wanted certain economic changes to argue the case.

*Can you talk a little bit about the role of a leader in terms of convincing the party to introduce and accept substantial reforms?*

**John Howard:** Oh, it's absolutely critical and you've got to have a willingness to argue the case, but the first group that you've got to get onside is your cabinet. And if you can get the great bulk of your cabinet onside, you have a flying start in getting the party room onside, because it's very rare that the party room completely disregards the view of all the senior members of the cabinet.

There's nothing fancy about this. It's a question of personal persuasion and the leader plays a very big role because it's the leader that carries the main weight of public debate, although obviously when you're talking about economics, the treasurer has a big role in it. But the whole tone and pace of the thing is set, and if the leader is known to believe very strongly in something, then that carries a lot of weight. I was known to believe very strongly in tax reform, believe very strongly in industrial relations reform, waterfront reform, and privatisation. They were things that I had built form on in the 1980s when we were in opposition, so when people thought about me and policy, they thought, "well, he's in favour of this and this and this and this, and he's been arguing those things for years". They weren't things that I suddenly produced. It's much harder for a leader to suddenly out of the blue say, "well, look, I'm now in favour of doing this and I want you to follow me", if you've never talked about or argued the case for them in the past. None of the things that I championed on the economic reform front as prime minister were blinding revelations to my colleagues.

*Are there any elements of an effective reform process that you think need to be in place to actually get them successfully adopted and implemented?*

**John Howard:** You first believe in it yourself. You've got to have somebody in the government, but particularly the prime minister and the senior minister in the area who actually believes in the reform, and if somebody doesn't really believe in something, it's very hard to get it done. Conviction is the first element of successful reform. Then you've got to take your own party and the people immediately around you with you. The relationship between the leader and the immediately led is very important in the political environment, as it is in a military environment. This idea that you can do these things almost in isolation is nonsense. You have to take people immediately around you with you.

You need, obviously, to have the support of the public, the professional public service. You shouldn't underestimate that. I don't believe in governments being run by the public service, but you can't run a government without the public service. And having a good relationship between the government of the day and the public service is very important.

*How did you create a sense of urgency around the need to introduce a reform?*

**John Howard:** I think urgency's the wrong word. I don't think people felt it was urgent in the sense that we were going to collapse if we didn't have it. We were able to create the impression in the community that the current taxation system was no longer strong enough and effective enough for the welfare of the country, that we needed a big change and that the change we proposed was fair and would leave Australia in a stronger position. You can normally sell reform to the public if you satisfy two conditions. The first is that it's for the betterment of the country and the second condition is that it's fundamentally fair and it's not going to unduly hurt a particular section of society. If you can persuade people of those two things, they'll normally support it.

*Are there any other major shifts in the nature of politics or political debate that you have observed over that timeframe?*

**John Howard:** The biggest single change in that 40 years is that there's no longer any serious thought stream in Australia in favour of greater government involvement, or in favour of the command economy approach. That's a result of the end of the Cold War and the total disintegration of the economies of Eastern Europe. I entered parliament in 1974, and there was still a serious body of opinion in the world that the command economy approach would work, or was at least as good as the capitalist approach. And that's all gone.

The other big change is that the government no longer has a monopoly of the raw materials of the debate. They're the two big changes.



## Case Study 3

### Nick Greiner

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This is an excerpt of an interview with the Hon. Nick Greiner AC, former premier of New South Wales (1988–1992), conducted by CEDA in May, 2013.

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**The Hon. Nick Greiner AC** was Premier and Treasurer of New South Wales from 1988 to 1992. Since his retirement from politics he has been heavily involved in the corporate world as chairman of several large companies and as the deputy chairman and director of others.

*Do you agree with CEDA members that there has been a decline in the quality of public policy debate in Australia?*

**Nick Greiner:** Absolutely, but it is a universal phenomenon, not just limited to Australia.

I think the reasons are due to the changing nature of the media cycle, the nature of social media and its pervasiveness, the use of public opinion polling, all of that sort of thing. It is made even more difficult in Australia because of relative absence of think tanks and the independent, objective or otherwise, institutions who see their role not as lobby groups, but as promoting particular reform ideals.

*How has the media cycle damaged the nature of quality public policy debate?*

**Nick Greiner:** I think it means that it's much harder. Everything's more immediate, so you tend to get issues cut off. The normal media advice in Australia is, don't give an issue any oxygen, don't encourage or allow a debate, just kill it. That is what tends to happen. The motivation is that if an issue is not quickly kill it can run away from you, both by the media and by social media.

There is no longer an opportunity to develop an idea or argument. What's lacking is time.

We've also strengthened the political parties in Australia recently. The capacity for individual members of parliament to advocate positions separate from their parties is extraordinarily limited. This limits the success of conviction politicians.

You do not find those who come with a clearly developed view as to what ought to happen, or what they want to do. It tends to be far more reactive, far more responsive to reviews and enquiries and the issues of the day rather than originating from the leader.

*Was there any particular style or approach to leadership that you adopted when you stepped into the role?*

**Nick Greiner:** Probably the wrong one. I had a clear view, a series of policies that broadly cascaded down from a view of state government as being about business and wanting to run things in a rational business like way.



My tenure was a little unusual in that it wasn't on the back of a crisis. The normal change management advice is that people don't like change. They need to understand why change, significant change, is necessary or appropriate. Therefore it is easier if you come in after an absolute crisis.

So it's the Rahm Emanuel comment about never waste a good crisis. But if you don't have a good crisis, you need to create the imperative for change.

*How do you go about ensuring that the beneficiaries of change understand what you're doing?*

**Nick Greiner:** That is difficult. Part of the problem is that we tend to start off with a view that some things are self-evident. You really need to start with the outcomes and work backwards. We tend not to do that because the people in the process are in the process, so they're more interested in the process. If they are interested in tax reform, well, the question is, why do you have tax reform? It's not just so some people will have an extra dollar in their pay packet, although that may be a reason at a certain point in time. So I think you need a real outcome focus and then work back.

If you don't get agreement and a buy in on the outcome, then you just get buried in the usual vested interest, whether they're levels of government, lobby groups, interest groups, old people, young people, whatever it may be. So I think that's the paramount thing.

*How would you go about doing that?*

**Nick Greiner:** I think change management at a corporate level, which is now quite a sophisticated activity, probably is a useful lead. It is not as easy for governments as the capacity to execute, or the length of time, is not as conducive as it is in the corporate world.

*That is interesting as, historically, the majority of change management programs have failed.*

**Nick Greiner:** Yes, I think they're a little better now because they do a much better job of dissecting, identifying the stakeholders and getting appropriate champions. So change often comes from the group rather than being done to people.

It's harder in government except if you have a clear problem. If you're in Spain and there's 25 per cent unemployment, then doing something is acceptable. Even if people aren't confident, they know the status quo is unacceptable.

The difficulty is that in a country like Australia, the status quo's not unacceptable, it's just not optimal. And I think that's the fundamental problem, that our situation is not too bad. The lucky country syndrome.

I think that's the framework within which there is reform fatigue in Australia, because you're backing against a perception that things really aren't too bad.



*Can we discuss the concept of the electoral mandate?*

**Nick Greiner:** It is interesting that at the moment that the mandate has had a revival. A lot of the governments today in Australia have a very clear view that they want to keep every promise and that they don't accept John Keynes' argument that, you know, when circumstances change, I change my mind.

The problem tends to be that in the lead up to elections oppositions will say whatever they need to say in order to win. So they will rule out most forms of change because, they figure, it is subject to scare campaigns and so on

I think we're in a period where maybe getting a mandate is the popular tactic for getting reform, but it does presume that reform is capable of explanation and that explanation doesn't preclude you from getting elected.



## Case Study 4

### Jeff Kennett

.....

This is an excerpt of an interview with the Hon. Jeffrey Kennett AC, former premier of Victoria (1992–1999) conducted by CEDA in May, 2013.

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**The Hon. Jeff Kennett AC** was the 43rd Premier of Victoria between 1992 and 1999. He is founding Chairman of *beyondblue*, a national depression initiative. He was President of Hawthorn Football Club from 2005 to 2011.

*Do you think there is an issue with the quality of the public policy debate in Australia?*

**Jeff Kennett:** Yes. The reasons it is an issue is that the political cycle is too short; the influence of the media on good policy is not conducive to its delivery; most politicians, as an organised group belonging to a political party, don't have long term visions, and therefore they're focused on the now rather than tomorrow.

These issues have become worse. What's changed is that the media, the quality of politicians, and the development over the last 20 years of a society based on entitlement rather than self-reliability.

The media reinforces the instantaneous nature of life today. This doesn't give people time to reflect and consider. Politicians are fundamentally too weak to resist the pursuit of popularity and the pressures that come from the media.

*How did you approach that leadership style when you were Premier?*

**Jeff Kennett:** No differently than I would approach leadership of any organisation. Leadership is not difficult, but it does require resolve and it does require a sense of where you're going. It requires you to assemble around you people that have the skills that you don't have; it requires the development of the strategy to deliver the vision; it requires consistency of advocacy, and then you need to be able to demonstrate the benefits of what you've been articulating.

Those benefits, at the political level will be an improvement in the environment in which we live. If you're in commerce, it might be judged as profitability. For a football club, it might be winning premierships.

*Could you talk a bit more on political will and vision?*

**Jeff Kennett:** What I mean is if you've correctly identified where you're trying to take the country or the state through a long term vision, you need to get the people around you, and put in the strategies to deliver that vision. There may be some speed bumps along the way but those need to be addressed, but they should not divert you from the main task, which is to deliver the long term objective.

Where you have no long term objective and you only work from day to day worrying about opinion polls or anything else, then you are buffeted by whoever makes the most noise.

*Do you think the cabinet is important?*

**Jeff Kennett:** Absolutely, it was a lesson I learnt in my army days. You can have the best general on the field, but if he doesn't have troops under him and they don't have a good relationship and they don't work together, you can't win anything. So no one on their own wins. A premier doesn't win alone, the leader of a football club, a player, a not-for-profit, no one on their own delivers – only teams deliver.

I've always said you only need six good ministers to run a state government and eight to run a federal government. I was fortunate as I had those six people plus a few more.

*How did you go about developing that long term vision?*

**Jeff Kennett:** Well, the members of the cabinet worked hard together for 10 years before being elected in 1992. From when I was elevated to the leadership in '82, we kept reviewing our policies. Every time we lost an election we kept refreshing those policies.

I think the public needs to know where you want to end up. I don't think they necessarily need to know all the details of how you're going to get there. Where do you want to lead Australia? Where do you want Australia to be in 2050? The public don't want to cross every T and dot every I. They just want you to govern, they expect you to govern. They want a government of adults, not of bloody children. They want a government that will give them certainty as to how they manage and live their lives. So whether people agree with us or not, they all knew where we were heading.

*You talk about the importance of governing, then – is that about making those day-to-day decisions?*

**Jeff Kennett:** Well, the day-to-day decisions are focused on the unexpected that happens in any period of time. But they should not divert you from the broader long term strategy. So the day-to-day issues are often not about the broader fundamental strategy.

You can try and consult, but it's often a waste of time, waste of effort, waste of energy. You're elected to govern – govern.

*Would you suggest that governments should introduce a lot more reforms immediately rather than through consultative processes?*

**Jeff Kennett:** It depends on what the reform is. If you make a decision that you're going to make change, why do you then spend a year or two talking about it? Do it. Life's short.



## Case Study 5

### Steve Bracks

.....

This is an excerpt of an interview with the Hon. Steve Bracks AC, former premier of Victoria (1999–2007) conducted by CEDA in April, 2013.

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**The Hon. Steve Bracks AC** entered Parliament as the Member for Williamstown in 1994. He became Victoria's 44th Premier in October 1999 after serving as a Shadow Minister in the Employment, Industrial Relations and Treasury portfolios.

*Do you agree with CEDA members that there has been a decline in the quality of public debate in Australia?*

**Steve Bracks:** There is no question that there has been a decline. It is much less about long term issues and much more focused on immediate or medium term issues. There is too much of an emphasis on personalities and their positions rather than the issues. There are ways to address that.

*What are the factors driving this?*

**Steve Bracks:** The 24 hour media cycle is one. It has a much more immediate impact than it previously had. When I left office in 2007, you could do one media conference a day. You could do one story for the newspapers the night before. You could develop policy and release that policy in a timely way.

Now, with the wear and tear on governments with the constant media cycle it is a much more difficult process and the utility value of government has been reduced as a result. I think governments do not know how to respond to the issue, which is one of the reasons why I think that immediate hits are currently much more important than longer term benefits.

Governments do not have to respond. They need to learn that they do not have to respond to the constant media cycle. You do not have to be a commentator on every issue of the day. You can be out and commenting when you have something to say which is about the real policy direction you want to pursue or there is an announcement that you want to make.

*Did you adopt a particular style when approaching the task of leading Victoria?*

**Steve Bracks:** Yes. I adopted the Hawke view of the supremacy of cabinet, being the chairman of the board rather than the executive officer. Enabling your ministers to pursue their portfolios and policies in relation to the commitments we had made, interfering only when there is failure.



Additionally, we built an apparatus in government that enabled us to operate effectively by having some of the best policy skills we could find. That meant staffing up the central agencies, Premier and Cabinet and Treasury but particularly Premier and Cabinet. This involved having significant policy capacity, to be overseen by the Policy and Strategy Committee of Cabinet, and to commission work. We actively recruited the best people we could because the quality of the public sector was very important.

Having a focus on it, having a determination to do it was necessary to develop the proposals that eventually made up the latest round of the National Reform Agenda. It was deliberative from our point of view.

The principle of my government was that I asked, through our Policy and Strategy Committee of Cabinet, for our departmental advisors to commission reports on where we could seek to improve our economic position. Out of that process came proposals for a National Reform Agenda.

*Do you believe that this is the action that needs to take place prior to any reform agenda being implemented?*

**Steve Bracks:** What often happens, particularly at a state level, is that the central agencies are diminished in their policy capacity over time. They see it as a less important priority than other parts of government. When we got to government in 1999 we had a strong Treasury, some effective policy development and robust organisation. There was a weak central agency in Premier and Cabinet. All it was doing was putting additional coordinating comments on stuff that other departments were doing. But no proactive policy development in policy work for the government.

What we did was change that. You need to get the structures right or else there is no point. This commitment led us to adopt significant policy development processes within government. Not only did we have the commitments that every government makes on approaching government, the platform, but I saw policy as something you had to continuously work on and have a process for in government. So for example, I developed a Policy and Strategy Committee in Cabinet which simply talked about the forward direction of the government and the policy development of the government.

The Federal Government always has the capacity to develop policy and undertake this work. It is a matter of the political will to achieve it. At any one point the Commonwealth has the capacity to gear up on this. The public service is just waiting. All that is needed is political will.

*You described the political will required to establish ongoing policy setting. Why do you think that is important?*

**Steve Bracks:** All governments come into office from opposition. Coming into office you do so with a set of policies that you determine and derive from your values, from the alternatives that exist. So you come into power with that and that is your forward thrust and what is reinterpreted by the public service as programs and policies.

But my view was that in government you had to replenish policy by using the apparatus of government to do it. The whole government is a tool available to do it. Now my view is that tool is often underutilised.

I saw the longevity of our government being dependent on using that apparatus of government to develop good policy. That is why effectively, I replaced the work we did in opposition with interest groups and stakeholders and the party apparatus with a structured approach as I have described already.

*How important is the mandate that you bring to government?*

**Steve Bracks:** Extremely important. The mandate is a minimum. What you propose while in opposition and what you say you will do during an election is a minimum of what you should attempt to implement. But policy development does not stop with the mandate that you are elected on. That is a minimum but if you are static then you are only delivering what was relevant to yesterday.

I have always said that policy development is not about commentary on the current issues, which is what policy can often devolve into. It is the offer for the next four years or the next 10 years. If you are not thinking of that time frame then you are just acting as a commentator like everyone else.

It is not policy work on what is happening now but on what should be happening over that period that should represent their electoral mandate. Therefore, in getting into government, all you have done is get in on a set of retrospective policies that you have developed and then you are implementing them. So if you are not developing the policies for the next term and the term after that you are not doing the work for the next period.

*What are the biggest challenges to good policy development?*

**Steve Bracks:** The biggest barrier to developing good policy is just political will. You can always get the people, you can always get the structure. But it is political will that is crucial, the determination to succeed. You need to believe that it is important and you have to be able to convince your colleagues that it is important and you have to be able to articulate it well.

Sufficient political will overcomes all the other deficiencies.



*Could you elaborate? From a naïve perspective, you would assume that political will is a cornerstone of the reason parties exist. Are you referring to something specific?*

**Steve Bracks:** There is political will to pursue the platform that the party was elected on. But the need to continue to win can subvert good policy development by reducing government to the lowest common denominator. That is a feature of what has happened around the country at the moment.

So there is a desire to win and then there is a misreading of what winning means. At the moment, winning is perceived as winning the daily argument. This is irrelevant.

Persuading and arguing a case that may not be popular now can win you much more dividends than simply winning the day's battle. But we have been reduced to largely winning the days battles, not arguing and persuading on a position that can win you significant benefit in the longer term.



## Case Study 6

### Allan Hawke

.....

This is an excerpt of an interview with Dr Allan Hawke AC, former senior public servant, conducted by CEDA in May 2013.

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**Dr Allan Hawke** joined the Commonwealth Public Service in 1974 and has held senior positions including Deputy Secretary in Defence and Prime Minister and Cabinet, Chief of Staff to Prime Minister Paul Keating and Secretary of Veterans' Affairs, Transport and Regional Services, and Defence and High Commissioner to New Zealand.

*Would you generally agree with CEDA members there's been a decline in the quality of public policy debate? If so, why do you think it is the case?*

**Allan Hawke:** I do agree with that, and there are a number of reasons behind it. The primary reason in the contemporary era is because of a lack of bipartisan support for reform that existed at the time when major reforms were made in Australia that everybody now benefits from. At that time major reform issues were not subject to debate in the public arena where vested interest groups could do their level best to bring whatever it was unstuck. Now, the problem with the current minority government is that, even people who have articulated particular policy positions in the past, have opposed it when it was proposed. So, for instance, when some members of the Abbott opposition were in government and they articulated a whole series of policy proposals, when those proposals were put forward by the Gillard minority government, they opposed each and every one of them. That's led to this dreadful deadlock in Canberra in terms of policy reform.

*The issue of leadership is an important one for reform. What are the most successful characteristics of a political leader that can help drive that process?*

**Allan Hawke:** It is leaders – in particular, prime ministers – who have a political frame of reference around which they judge initiatives and the events of the day, and they've always got that framework to work from. Paul Keating was about a vision for Australia, within Australia and in Asia, security with Asia, not from Asia.

John Howard walked away from “the vision thing”, because, by the time he won election, Keating's political standing was in disarray in Australia and the people had had enough of his vision. Yet, while Howard eschewed the ‘vision’ word, he actually had one. He used a series of what were called headland speeches – a different terminology to get around that issue. In each headland speech he would articulate a reform proposal and argue it with whoever over the course of the day in order to come to a position that was saleable through the Parliament and with the Australian people.

*How do you get that balance as a leader, or as part of a government, in influencing versus reflecting what public opinion might think is important?*

**Allan Hawke:** There are a number of issues here. First of all, Bob Hawke was renowned, and deservedly so, for being the Chairman of the Board. He was very consultative, he had views, but his views could be moderated by the view of the Cabinet at the time. In the best days of Keating, he led the discussion and often generated the ideas, and could usually convince his Cabinet and his party room to go with this, or he moderated those views depending on what was happening. Keating and Howard did use their authority on occasions to insist their position be adopted usually to good policy and political effect.

The elephant in the room is the rise in the numbers and the influence of the private office compared to the public service. Particular ministers have said from time to time: “We don’t need the department to generate policy ideas, we will do that ourselves. The public service is simply there to implement and execute the decisions of the government of the day.”

*Is that something that is more prevalent within a modern government than a few decades ago?*

**Allan Hawke:** Yes, the power of advisers and the private office escalated in the latter years of the Howard era and became even more entrenched under Rudd, to the extent that it’s now accepted as the way of doing things.

*It brings into question how the public service can play that role of influencing, against simply implementing policies that the government might want to have implemented. What are your thoughts on that?*

**Allan Hawke:** The work that Ken Henry and Treasury did on the Inter-Generational Report, tax package and the Asian Century will be reference documents; for the next 10–12 years people will be dipping into those documents and pulling out policy proposals and turning them into an idea whose time has come. Treasury’s scenario planning certainly helped the Rudd government ameliorate the impact of the GFC on Australia. I could point to other examples, but it’s really matter for the public service to take opportunities to innovate and propose policy options to the Government of the day. Most of the problems in recent times have stemmed from execution of policies.

*The public service has a role to play in developing substantive reform proposals, do they not?*

**Allan Hawke:** That’s right. Let me give you what I think is the best example during my time of how you go about this. In 1996 when the Howard Government came to office, I became Secretary of Transport and Regional Services with John Sharp as the new minister. We sat down and went through every single one of the Coalition’s transport, regional service and infrastructure policies. And we decided

in one or two instances that maybe that policy that looked so good in opposition wouldn't serve so well now that they were in office. We assigned each of the initiatives to an advisor in the office and to a named individual in the department. They had a timeframe within which to report to the Minister on the policy and the plans for implementation and we monitored and reported progress against all that. That worked absolutely brilliantly in building trust and executing the Government's policy platform.

*It's often been suggested that the big reforms that were required for Australia have pretty much been done, and those that are left are perceived to be politically unpalatable. Is that more to do with leadership style than anything else?*

**Allan Hawke:** It's to do with having the courage of your convictions. Paul Keating on Mabo or John Howard on the guns legislation, or even when he was arguing for the GST; these were not uniformly popular measures. They stood up and argued those positions. Howard even went to an election on the GST and won it – a major reform and a good one, because it taxes consumption.

You have to think through and really explain why you've come to a particular conclusion and what the rationale for it is. If you can't do that, then you need to re-think very seriously the proposed reform.

The big problem facing Australia now is the break down in the bi-partisan approach to reform which served us so well over the years, meaning that the argument wasn't dependent on the public arena. The oppose everything mentality leaves us exposed to the vicissitudes of the minor parties and the anti-whatever campaigns. Major policy debates now seem to be won or lost in the media. Mitch Hooke, CEO of the Minerals Council of Australia captured it nicely "... the new paradigm is one of public contest through the popular media more so than rational, effective, considered debate and consultation". I put it to you that the industry associations, Business Council of Australia and other bodies and people concerned about Australia's future need to contemplate what to do about this sorry state of affairs.



## Case Study 7

### Ken Henry

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This is an excerpt of an interview with Dr Ken Henry AC, former senior public servant, conducted by CEDA in May, 2013.

.....

**Dr Ken Henry** is Special Adviser to the Prime Minister, leading the development of a *White Paper on Australia in the Asian Century*. For a decade commencing in April 2001 he was Secretary to the Treasury, a member of the Board of the Reserve Bank of Australia and a member of the Board of Taxation.

*CEDA members believe that there is a decline in the quality of public policy debate. Do you agree?*

**Ken Henry:** Well, I certainly agree with it. In fact, I can't remember a time in the past 30 years when the quality of public policy debate has been so poor. I think there's a whole range of reasons for it. Some of them are really intractable; others I think we can do something about.

One thing that's clear is that the media's behaviour has changed. There's more media. There are more people employed in the media and there's not everywhere a depth of experience. We've got a 24/7 news cycle, and there's an expectation on journalists that they will produce product to fill that 24/7 cycle.

Another part of it, of course, is that politicians – most of them – can't resist the opportunity to proffer a view in the media. Many of our politicians appear in front of the media several times a day. It's very unlikely that they're going to have had the time between interviews to develop well-constructed thoughts about issues, even issues of the day. Where is the time that is left to them, to construct well developed thoughts about the issues of tomorrow, the longer term issues? And that's what they really should be thinking about.

The third thing that I'd point to and that could well be intractable – is that, in public policy, we find ourselves dealing with very complex issues, and often having to deal with very complex issues in a very short space of time. If the issues have not been anticipated, then there's been no opportunity to engage with the public on those issues. There's been no opportunity for the public to get across what the possible solutions to the issues might be. On very complex topics in the past few years in Australia, policy pronouncements from government have been made that have really caught the public by surprise. And when the public is caught by surprise there's an opportunity for vested interest to have a strong influence on the public perception of the policy proposal. And it's very easy for even a well thought out, a well-considered, well-constructed policy proposal to be defeated by a rather shallow attack, because the shallow attack is all that the public is capable of understanding.

Now, whether that issue that set of issues is tractable or not, I'm not sure. I'd like to think that we can do better in tackling the third of those issues that I mentioned – the complexity of the issues that we're confronting. But, against that, I see no end of increasing complexity in the policy issues confronting government.

*Could you talk about the qualities of leadership that are necessary in a politician?*

**Ken Henry:** There are two key things. The first is that the political leader is motivated by something more than simply being in power, something more than simply being the country's spokesman, something more than seeing themselves on the front page of the newspaper on a regular basis. There has to be something that is foundational, that motivates them to be a leader in the political sphere. That's the first thing.

The second thing is probably even more important – certainly more important when it comes to effectiveness – and that is the ability to communicate the need for things to be done, and the ability to persuade people of that need, and adduce it in the way you introduce the question; the ability to bring the public along with them in terms that the public can understand. Communication is the most important quality of a good political leader.

*How do you get that balance as a leader between influencing and reflecting public opinion and what the public is likely to accept?*

**Ken Henry:** We live in a democracy. What that means is the best political leaders I've observed like to be just in front of where they think public opinion could possibly move to. But if they think there's a possibility of moving public opinion in that direction, they'll get out in front of it.

Some have been pretty successful by being just behind where public opinion is, but nevertheless nudging it in a particular direction. So what I'm saying is there is balance involved in this. The principal role is, though, for the leader to identify where the challenges are for the country, to articulate a strategic approach to addressing those challenges, and to put that to the public, and to convince the public that that is indeed the way that the country should move, rather than simply sit back and attend to issues on a day to day basis that arise in really unguided public discourse on issues.

So, a leader who is preoccupied with following public opinion is, of course, not really going to offer any leadership at all.

*Where does the public service fit within that process you've explained? I mean, do they influence or merely implement government policy?*

**Ken Henry:** This is a contested space. I have strong views on this, but I respect the fact that some of my former colleagues would have different views. Some of my former colleagues I know feel very strongly that policy ideas are what should be expected of politicians rather than public servants, and public servants should be implementers, administrators. I understand that view, I respect it, but I disagree with it. In my own case, I wouldn't have found that sufficiently motivating to have spent 30 years in the public service had that been the totality of the expectations of me.



But there's another reason why I think it is important that the public service be more ambitious than that, and that is that the public service is better placed than politicians to, over a long period of time, take views or develop views on both long term challenges and policy approaches. A politician elected to government might have two and a half years, maybe three years. When coming into government they may well have some very strong policy ideas. Five years to six years down the track they've probably exhausted all of their policy ideas. Then there's an opportunity for the public servants who have thought deeply about the issues to help in the formulation of a policy agenda for the government. I don't think that's inappropriate at all. I think it's entirely appropriate that the government look to the public service for assistance in the formulation of the government's own policy agenda.

Just to make this a little more concrete, reflecting on Australia's response to the global financial crisis, imagine the position that we would have been in had the Treasury and other advisors not war gamed – and that's what we did, war gamed – those sorts of economic shocks to the Australian economy and the sorts of responses that might be required. There was nothing that emerged in the global financial crisis that we had not thought through years before and were able to offer advice on.

The proposition that we should leave all of that to politicians and simply implement whatever ideas they have in the moment is, in my view inappropriate.

*Some people suggest that the reason so much reform was instigated in the 80s and 90s was because of the clear need to do so.*

**Ken Henry:** I think that it's not necessary that you have a burning platform in order to motivate action. There are other ways of motivating action. It is possible to do so. I just think that in recent times we haven't spent enough time investing in what is required to motivate substantial policy action.



## Case Study 8

### Terry Moran

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This is an excerpt of an interview with Terry Moran AC, former senior public servant, conducted by CEDA in May, 2013.

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**Terry Moran AC** has worked with successive Australian federal and state governments in public policy and public sector management. From March 2008 to September 2011 he was Secretary of the Department of the Prime Minister and Cabinet. Prior to that, from 2000, he was Secretary of the Department of Premier and Cabinet in Victoria. He is National President of the Institute of Public Administration Australia and a Professorial Fellow at Monash University.

**Terry Moran:** I would argue that the last five years is notable for a large number of successful public policy initiatives, but also more than the usual number of failures. It's the failures that have stigmatised the current government and perhaps prompted the view that somehow nothing's been happening.

*So do you feel that it's the electoral mandate that's important because of the level of debate that focuses on the issues?*

**Terry Moran:** No. I'm saying you can do reform without an electoral mandate but it takes a lot of work to explain to the public what the problem is, why something needs to be done and what the government will do. And it's deficiencies in that latter area that surround many of the reforms introduced by government in the last five years.

I get very worried about how many CEOs of big corporations just assume that through an exercise of authority, government can mandate major reforms. The reality is in a parliamentary democracy, whether you're a minority or majority government, you've got to take the people with you. You've got to have informed consent from a fair proportion of the population. That goes to two things – the quality of the political skills that government leadership has at a particular point in time and more broadly, to whether or not government leadership is effective in the 'art of governing', as I would call it.

*Would you elaborate on that?*

**Terry Moran:** Firstly, if you want to do something, then everything that I've said before about political management and communications applies. Secondly, the government needs to be effectively working with the major stakeholder groups who are affected. Thirdly, where the states and territories are involved, they should not be approached with antagonism but with a degree of respect for their constitutional role and what they've got to do. And then finally, government has to have a very clear idea about what the public service does and what ministers and their private officers do. They have to let the public service do its job and have ministers and their political advisors do theirs.

We have a particular Australian problem at the moment. It is not universal but it is more common than was previously the case. The problem goes to the relationship between some ministers and the public service. Some ministers would do better to trust the public service rather than assume the worst of the public servants they work with. Most importantly of all, this applies where ministers or their political advisers don't like particular pieces of advice from the public service. A little more curiosity in exploring the unexpected or the challenging is needed for our system to work well in the broader national interest.

We also have a major problem with a few ministerial advisors who have free-lanced on quite a number of big issues rather than working in a professional way with the public service. The political advisors should do their main job – to handle the politics – and leave the public servants able to provide honest and unconstrained policy advice.

*Do you think the role of political advisors has changed over time?*

**Terry Moran:** Yes, it has. Until the end of the Howard Government, a minister's office would be a mixture of seconded senior public servants who knew about the business of government and also public policy, as well as experienced political and media advisors. In recent years we have come to accept, without comment, a system with hardly any senior public servants in ministerial offices. Thus ministers often lack, close at hand, compatible professional people with the background to help them deal with the business of government and public policy. This means a lot of the load has often fallen to people with no experience or insufficient experience of actually being in government, rather than handling media relations or managing stakeholders in a political sense. There have been a lot of miscalculations along the way.

The consequence is that governments end up being destined to relatively short terms because they don't have the right sort of governing skills that go to political management and communications.

*Steve Bracks said that policy setting is an ongoing process, vital for maintaining government.*

**Terry Moran:** That's right. I worked with Steve Bracks and as premier he was meticulous in saying he wanted the advice of the public service on professional public policy grounds and he wanted his private office to give him political advice on top of that. He didn't want his private office to try and redo the policy advice from the public service. A similar set of assumptions also applied under Jeff Kennett and John Brumby when they were premiers. Under both sides of politics in Victoria and for more than two decades, a bi-partisan agreement existed as to how ministers and public servants worked together professionally. It amounted to a sensible expression of the Australian Westminster system and underwrote economic success for the state

*And why did that arise?*

**Terry Moran:** Maturity on the part of leadership on both sides of politics. But also because of what I've been saying. Both sides understood that they had to prepare the electorate for some policies before they got into office and then they were faithful in implementing them. If they had to do new things, because circumstances changed, then they took particular care to explain to the population what the problem was, why they were doing it, and what it would mean.

*That leads to a question: what is the role of public servants in actually influencing versus implementing public policy?*

**Terry Moran:** Government is now so complex that no minister can have the technical ability or the insight to come up with a big tax reform package or come up with a way that will work so that you reform public hospitals. It's easier for a minister just to decide to spend X billions of dollars to increase the rate of a particular pension. But when you're talking about the big systems that governments operate to do things or deliver services – whether it's defence or the health system or education – these things are so complex that they need professional advice.

*There's been quite a bit of observation around the change in media cycle as being something that is making it more difficult to successfully introduce and prosecute reforms, partly because those people, who are influenced and affected by them, can rapidly be marshalled and it makes it more difficult for a government to get through that. Do you think that's a valid observation?*

**Terry Moran:** When you look around Australia at the moment, there are political leaders who are very successful in managing the media while still doing substantial reforms – Barry O'Farrell in New South Wales and Colin Barnett in Western Australia come to mind. They have proved to be adept at the art of governing and “touch the ground” in their understanding of their communities.

In government, forward momentum on policy provides an ability to set the agenda. Those policies which have been well-developed, well-worked through with effected groups and carefully planned before implementation are highly likely to work over time. This can change relationships with the media. But if you're fretting all the time about today or tomorrow's tabloid front page and how to skew it towards your perspective, then government becomes a pawn in the hands of people in the media and their view of what is important.

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Reserve Bank of Australia

Rio Tinto Limited

RSM Bird Cameron

Serco

Shell Company of Australia

Siemens

Sinclair Knight Merz

TRILITY

URS

## ACT

Australian Bureau of Statistics

Australian National University

Department of Education, Employment and Workplace Relations

Universities Australia

## NSW

ACCA

Adelaide Brighton L

Australian Catholic University

Australian Computer Society

Australian Energy Market Commission

Australian Payments Clearing Association

Barangaroo Delivery Authority

Be Learning

BlueChip Communication Group

BOC	MLC	QLD
Caltex Australia	New South Wales Treasury Corporation	AGL Energy
COAG Reform Council	Department of Attorney General and Justice	Ashurst
Community Services & Health Industry Skills Council	Department of Planning & Infrastructure	Bank of Queensland
Department of Trade & Investment, Regional Infrastructure & Services	Department of Premier and Cabinet	Brisbane Marketing
Downer EDI	Oracle Corporation Australia	Civil Contractors Federation
eBay Australia & New Zealand	Pacific Strategy Partners	ConocoPhillips
EFTPOS Payments Australia	Pottinger	Department of State Development, Infrastructure and Planning
Energy Action	PwC Australia	Energex
Eraring Energy	Regional Development Australia – Hunter	Ergon Energy
Export Finance and Insurance Corporation	Royal Bank of Canada	F.A Pidgeon & Son
FuturePlus Financial Services	Snowy Hydro	Gadens Lawyers
Gadens Lawyers	Sydney Airport Corporation	GHD
GE Australia	Sydney Catchment Authority	Gold Coast City Council
GHD	Sydney City Council	Hastings Deering (Australia)
Gilbert + Tobin	Sydney Water	Ipswich City Council
Holcim (Australia)	Telstra	KDR Gold Coast
Independent Pricing and Regulatory Tribunal	The Bank of Tokyo-Mitsubishi	Logan City Council
Infigen Energy	The BPAY Group	Lutheran Community Care
Insurance Australia Group	The Royal Bank of Scotland	National Australia Bank
J.P. Morgan	The University of Sydney Business School	NEXTDC
KJA	The Waypoint Group	NOJA Power
Leighton Holdings	Thorn Group	PwC Australia
Macquarie Bank	University of Newcastle	QIC
Maddocks	University of Technology Sydney	Queensland Competition Authority
Manpower Services	UNSW Australia	Queensland Law Society
Marsh	Weber Shandwick	Queensland Motorways
MetLife	Xstrata Coal	Queensland Rail
		Queensland Treasury and Trade
		Queensland Treasury Corporation

Queensland University of Technology	South Australian Water Corporation	Guild Group Holdings
RBS Morgans	The University of Adelaide	Hansen Yuncken
Robert Walters	University of South Australia	Holden
SunWater	WorkCover SA	Independent Schools Victoria
TechnologyOne		Industry Funds Management
The University of Queensland		Insync Surveys
	<b>TAS</b>	JANA Investment Advisers
	Aurora Energy	Jemena
	Department of Premier & Cabinet	La Trobe University
	Hydro Tasmania	Lanier (Australia)
	Nekon	Linking Melbourne Authority
	Transend Networks	Litmus Group
		Macquarie Bank
<b>SA</b>		Medibank
Adelaide Airport		Melbourne Water Corporation
Adelaide Casino		Monash University
Adelaide City Council		Monsanto
BDO		National Australia Bank
Bedford Group		New Zealand Trade and Enterprise
Business SA		NHP Electrical Engineering Products
City of Prospect	Australian Unity	Open Universities Australia
Codan	BASF Australia	Oppeus International
Coopers Brewery	Box Hill Institute	P.G.A. (Management)
Department for Manufacturing, Innovation, Trade, Resources and Energy	Cabrini Health	Public Transport Victoria
Department of Planning, Transport and Infrastructure	Chase Performance	PwC Australia
ElectraNet	Committee for Geelong	RMIT University
Flinders Ports	CSL	Royal Automobile Club of Victoria
Flinders University	Data #3	Rural Finance Corporation
Funds SA	Department of Environment and Primary Industries	South East Water
Health Partners	Department of Human Services	The Bank of Tokyo-Mitsubishi
Investec Bank	Department of Transport, Planning and Local Infrastructure	
Masonic Homes	ExxonMobil Australia	
National Australia Bank	GHD	
SA Power Networks	Gilbert + Tobin	
SA Unions	GlaxoSmithKline Australia	
SACE Board of SA	Grocon	



The Future Fund	Bankwest	Georgiou Group
Toyota	Black Swan Event Financial Planning	Gerard Daniels
Transdev		K&L Gates
Treasury Corporation of Victoria	Bontempo Investment Group	Leighton Contractors
United Energy Distribution	Chamber of Commerce & Industry – Western Australia	Main Roads, Western Australia
Urbis		Murdoch University
Victoria University	Chevron Australia	OptaMAX
VicTrack	City of Greater Geraldton	Pilbara Development Commission
Western Water	City of Perth	
Wilson Transformer Company	Clifford Chance	The Chamber of Minerals and Energy of Western Australia
WorkSafe Victoria	ConocoPhillips	
Yarra Trams	DBNGP (WA) NOMINEES	The Smith Family
	Department of Agriculture and Food	The University of Western Australia
.....	Department of Finance	Toro Energy
<b>WA</b>	Department of Regional Development	Verve Energy
.....	Department of Treasury	Wesfarmers
ACIL Allen Consulting	Department of Water	Western Australian Treasury Corporation
Alcoa of Australia	Edith Cowan University	Woodside Energy
Apache Energy	Fortescue Metals Group	
ATCO Australia	Fremantle Ports	
Australian Bureau of Statistics		

**National**

Level 13, 440 Collins Street  
Melbourne VIC 3000  
GPO Box 2117  
Melbourne VIC 3001  
Telephone 03 9662 3544  
Email [info@ceda.com.au](mailto:info@ceda.com.au)

**South Australia and the Northern Territory**

Level 7  
144 North Terrace  
Adelaide SA 5000  
PO Box 8248, Station Arcade  
Adelaide SA 5000  
Telephone 08 8211 7222  
Email [info@ceda.com.au](mailto:info@ceda.com.au)

**New South Wales and the ACT**

Level 14  
The John Hunter Building  
9 Hunter Street  
Sydney NSW 2000  
GPO Box 2100  
Sydney NSW 2001  
Telephone 02 9299 7022  
Email [info@ceda.com.au](mailto:info@ceda.com.au)

**Victoria and Tasmania**

Level 13, 440 Collins Street  
Melbourne VIC 3000  
GPO Box 2117  
Melbourne VIC 3001  
Telephone 03 9662 3544  
Email [info@ceda.com.au](mailto:info@ceda.com.au)

**Queensland**

Level 17, 300 Adelaide Street  
Brisbane QLD 4000  
GPO Box 2900  
Brisbane QLD 4001  
Telephone 07 3229 9955  
Email [info@ceda.com.au](mailto:info@ceda.com.au)

**Western Australia**

Level 5  
105 St Georges Terrace  
Perth WA 6000  
PO Box 5631, St Georges Tce  
Perth WA 6831  
Telephone 08 9228 2155  
Email [info@ceda.com.au](mailto:info@ceda.com.au)



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